

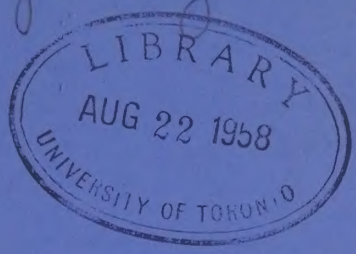
*J. R. Ross*

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BUTCHER & CO.  
REPORTERS  
BILDG., TORONTO

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*Ontario. Hydro-Electric*  
*" Inquiry Commission,*  
*1922-24*



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# HYDRO ELECTRIC INQUIRY COMMISSION

## CENTRAL ONTARIO SYSTEM

TORONTO, NOVEMBER 1922.

W. C. Coe,  
Official Reporter





# HYDRO ELECTRIC INVESTIGATION

Toronto, November 21st, 1922

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HYDRO ELECTRIC INQUIRY COMMISSION

Toronto, November 21st, 1922, 10.30 a.m.

CENTRAL ONTARIO.

Present :

W. D. GREGORY, Esq.,	Chairman,
M. J. HANNEY, Esq.,	Commissioner,
LLOYD HARRIS, Esq.,	Commissioner,
J. A. ROSS, Esq.,	Commissioner,
R. A. ROSS, Esq.,	Commissioner.

J. H. W. Bower, Esq., Secretary.

F. A. Gaby, Esq., representing Hydro Electric Commission.

SIR WILLIAM HEARST.

TO THE CHAIRMAN :

Q--You were Premier of Ontario in 1916 ? A--Yes.

Q--It was in March, 1916, that the Central Ontario System was purchased by the Provincial Government from the Dominion Electric Power Company ? A--I could not tell you from recollection.

Q--What was the reason it was purchased by the Provincial Government ? A--There is a long history in connection with the transaction.

Q--Let us have that. A--I do not know that I can give it to you.

Q--Give it as fully as you can. A--I have not the matter fresh in my mind -- it is six or seven years ago, and I have not had anything to bring it to my mind at all for several years. Before I became Prime Minister at all, the

THE HON. JAMES DUFFY

Toronto, November 21st, 1933, 10.15 a.m.

THE HON. JAMES DUFFY

My dear Sir,

W. A. GIBSON, Esq.,  
M. J. HANLEY, Esq.,  
ALFRED HARRIS, Esq.,  
J. A. HOBBS, Esq.,  
E. A. HOBBS, Esq.,  
Commissioners,  
Commissioners,  
Commissioners,  
Commissioners,  
Commissioners.

J. H. W. HARRIS, Esq., Secretary.

V. A. GIBSON, Esq., representing the Ontario Government.

THE HON. JAMES DUFFY

TO THE CHAIRMAN :

Q-You were Minister of Ontario in 1916? A-Yes.  
Q-It was in March 1916, that the Ontario Government  
was purchased by the Provincial Government from the  
Provincial Electric Power Company? A-I don't recall the  
transaction.  
Q-That was the reason it was purchased by the Provincial  
Government? A-There is a long history in connection with  
the transaction.  
Q-But we have that. A-I do not know that I can give  
it to you.  
Q-Give it as fully as you can. A-I have not the  
matter there in my mind. It is six or seven years ago, and  
I have not had occasion to bring it to my mind as yet.  
Q-You are a Minister of the Ontario Government? A-Yes, I  
am a Minister of the Ontario Government.



question of the purchase of the Eastern Power System, I think it was generally known as the Seymour System <sup>if</sup> my recollection serves me right, was under consideration, and it was generally felt it was in the interest of that section of the Province and the proper thing that that should be acquired if it could be bought on a proper basis.

Q--Was the consideration on the part of the Government or on the part of the Hydro Electric Commission of Ontario ?

Q--Any information that came to the Government, so far as I am aware,-- any reports or data would come from the Hydro Electric Commission. I am speaking now as I say after a lapse of quite a number of years, but my recollection is that representations were made to the Government from time to time by the people of Eastern Ontario urging the acquisition of that property by the Province, so that they would have the benefit of publicly owned power such as the people tributary to Niagara have. As I said, the question I know was under consideration some time before I became Prime Minister.

Q--You became Prime Minister in 1914 ? A--1914, yes. I first came into the Government in the latter part of 1911, and I know it was a matter of discussion quite from the time I first became a Minister.

Q--What resulted from the matter being brought to the attention of the Government ? Perhaps you can tell us a little more fully than you have, what did take place prior to the acquisition ? A--No, I cannot give you any detail, and without records to refresh me memory it would be dangerous for me to try. Only I remember in a general way that there were negotiations between the Commission and the Company, but I do not know that I ever knew the details.

Q--When did the negotiations between the Government and the Company take definite form ? A--I cannot tell you from





recollection at all, sir.

Q---How was it if the Hydro were conducting these negotiations it did not make the purchase ? A---I cannot tell you that, sir.

Q---Can you tell me why the Government made the purchase ?

A---Because we thought it was the proper thing to do.

Q---On what ground ? A---From the public interest.

Q---What particular circumstances or facts led you to the conclusion that it would be the proper thing to do ? Was there any obstacle in the way of the Hydro acquiring it ?

A---I do not know of any obstacle.

Q---The Government had never made such a purchase before, had it ? A---I suppose not exactly that kind of purchase. I forget whether that was before or after the Ontario Power Company was acquired in the manner in which it was acquired.

Q---It was an unusual thing.

TO COMMISSIONER HARRIS :

Q---The Hydro did that, the Government did not acquire the Ontario Power Company, whereas in this case, the Government acquired the Seymour Power Company ? A---The Government felt it was in the interest to acquire it, and the Hydro had not done it up to that date, and we did it.

TO THE CHAIRMAN :

Q---Was there anything to prevent the Hydro doing it which led you to step in ? A---I personally had nothing to do, sir, with the negotiations.

Q---Who had, sir ? A---My recollection is that Mr. Ferguson conducted most of them.

Q---That is the Honourable Howard Ferguson ? A---Yes. Everything was reported to me and everything was done with my entire concurrence, but the actual negotiations were





conducted not by myself at all events. Mr. Ferguson and Mr. McGarry were the members of the Cabinet that represented Eastern Ontario, and any matters that affected that part of the Province they were the ones who took special interest in them, and one or both of them I think conducted the negotiations in this matter; being particularly interested in the Eastern part of the Province and representing that section, they were naturally anxious to see it progress and to see it get all the benefits that were thought the Western section were getting from Niagara.

Q--But the Hydro had bought plants down as far as Ottawa. If your recollection would permit you to state more definitely do you know why the Hydro did not buy the Central Ontario plant and why the Government did it ?

A--I do not know why the Hydro did not. The officials of the Commission can tell you more definitely with reference to that. They had been negotiating and they had not got together with the Company, and the Government had.

Q--Did you have any counsel acting for you in the matter ?

A--I cannot say -- you mean in the negotiations ?

Q--Yes, in the preparation of the agreement and the closing of the matter ? A--I know the present Mr. Justice Ferguson acted in the investigation.

Q--That was later on ? A--Yes, but at what stage he came in I do not know.

Q--In the records Mr. Lynch-Staunton's name was mentioned; do you recollect if he acted for you or for the Hydro in the matter ? A--I would not know what his connection would be with the Hydro because they conducted their business apart entirely from the Government, and they retained all the counsel they thought fit, and would pay them direct out of their funds. Lynch-Staunton was retained to bring an action and did bring action on behalf of the





Province in connection with the Trent Water Powers, against the Dominion.

TO COMMISSIONER HANEY:

Q--To determine what ? A--To determine the ownership of the powers on the Trent.

Q--The water and water rights and riparian rights and all that sort of thing ? A--Yes.

TO THE CHAIRMAN:

Q--That was later ? A--No, I think that was before that. That action was commenced while I was Minister of Lands and Mines. In fact I think he had been retained before that, and had given an opinion with reference to it.

Q--Were you present at any meeting that took place between the members of the Government and the representatives of the Hydro Commission and others ? A--With reference to the purchase ?

Q--Yes ? A--No, I think not. I have not any recollection of being at any meeting.

Q--Did you have any interview with Dr. Reed about it ?

A--About the purchase of this property ? A--No.

Q--Or Mr. Frank Cochrane, then Minister of Railways at Ottawa ? A--No I do not recollect having any conversation. I have had conversations I know with Mr. Cochrane, possibly with Dr. Reed with reference to the rights of the Province in the waters and powers of the Trent. Of course that was a matter of contest between the two Governments as to what their respective rights were.

Q--Did Sir Adam Beck see you at all about this purchase by the Province ? A--I do not think so. I have no recollection of speaking to Sir Adam about it at all. I would not say I did not, but to the best of my memory and knowledge I did not discuss it with him.

Q--It was a rather important purchase running up to between





\$8,000,000 and \$9,000,000 ?      A--Yes.

Q--And I thought perhaps you as head of the Government would be more directly taking a part in the negotiations ?

A--I took a direct part in the negotiations; I had knowledge of everything going on and was satisfied with the negotiations as reported. I was not a negotiator and did not interfere.

Q--Did you discuss the price that was to be paid with any of the various interests represented ?      A--I do not think I discussed it with anyone excepting with my ministers.

Q--Was it a matter of consideration on your part as to whether it was a proper price or not ?      A--It was certainly a matter of consideration. Personally I was not in any position to give an opinion. I had to rely upon the reports that were made to me.

Q--From reports that were made to you, did you come to any conclusion as to whether or not you were paying a fair and reasonable price for it ?      A--That was the conclusion I came to.

Q--Was there, for any length of time, any marked difference of opinion as to what the price should be ?

A--I cannot give you any of the details. There must have been a difference of opinion between the Hydro and the Company or else the transaction would not have remained in abeyance so long, but the details of that I do not know.

Q--Did the Government have a valuation of the plant made before it purchased ?      A--I cannot tell you that other than they would have the benefit, I have no doubt, of the information and report that the Hydro had.

Q--You relied upon the report made by the Hydro ?

A--That is my recollection.

Q--And did not have a direct valuation made under your direct supervision ?      A--So far as my memory serves me, no.





Q--Did any conference take place between yourself or the Government and representatives of the municipalities where these works were situated ? A--I have not any recollection of having conferences direct with the municipalities. The matter was one of discussion over some years, but I cannot give you the details of any conferences.

Q--Was anything said as to the management of the plants you were taking over ? Did you propose to manage it directly as a Department of the Government or did you arrive at any other conclusion ? A--I do not think there was any thought of that.

Q--You were buying it absolutely -- what was the thought ?

A--The thought was always to have the Hydro manage it.

Q--You spoke just now of the desire of the people of that district to have the advantages of a system similar to that prevailing in Niagara, was it intended that this should ultimately be part of the Hydro system ? A--The details of the system I cannot speak with reference to. I do not quite follow you. Do you mean it would be part of the entire system ?

Q--Administered as the Hydro manipulates. They administer it and charge up the cost to the municipalities that take from them, and the municipalities provide a sinking fund and ultimately become the owner. As I understand it, there is no such provision in this case; was it intended it should be on the same footing as the other systems ?

A--I cannot speak without having any records or files or memoranda before me after the space of so many years, but my recollection is in the acquiring of the system, we had to acquire other than the water power system; we had to acquire a pulp mill or pulp plant of some kind.

Q--and a flour mill ? A--Yes, and I think a railway system and perhaps some gas systems.





Q ---And water works ? A--This is all very hazy to me now, and I think the idea was to work those out, separate it up into proper parts and work it out in that way. It was different to taking over a power system like the Ontario Power Company that was simply a power plant. This purchase consisted of a number of assets some of which, I think, would be acquired direct by the municipalities themselves and would not come under the Hydro.

TO COMMISSIONER HANEY:

Q--Ultimately would be separated ?

A--Yes, and worked out in that way; that was the thought so far as my memory serves me.

TO THE CHAIRMAN:

Q--Would that apply to the generating plants on the river or just to the local distribution systems in the various municipalities ? A--Really I cannot tell you what the generating plants were, but as I have explained, my recollection was that it was hoped to work it out by splitting it up into the different parts and disposing of those that would not fit into the power policy and the general power plant.

Q--What about those that would fit into the general power plant, was it intended the Government should retain them or that they should be made over as part of the general Hydro System ? A--My memory does not serve me as to what the thought was in that. No doubt it was anticipated it would be operated in some way by the Hydro.

Q--You do not remember any of the details of that, as to the extent of the ownership in the municipalities ?

A--No.

TO COMMISSIONER HANEY:

Q--I suppose you would have an impression though, as to whether the Government intended going into competition with





the Hydro in the management of another plant ?

A--The Government never had any thought of that.

TO THE CHAIRMAN:

Q--Was it intended that in the event of the Government making over the plant to the municipalities or parts of it, it should make it over at the price which it paid for it ?

A--That is a detail that I never went into at all. It was not the idea of the Government to make any money out of that transaction.

Q--Was it the intention of the Government to make any loss out of it ? A--I do not suppose it was.

Q--You expected if you turned it over, it would be turned over so that you would not lose anything, is that so ?

A--I think that was the idea. I think it was anticipated that it could be worked out in such a way that it would be for the benefit of the parties interested, desiring power in that part of the Province, and without any loss to the Province.

Q--Without any loss to the Province ? A--I say I assume that that was it, but I have not any recollection of the details as to how it was.

Q--There were additional sums advanced to the Hydro for the extension of this system and the improvement of it, by the Government ? A--Yes.

Q--Appropriations were made by the Legislature and handed over to it ? A--The records will show. It is not within my recollection. I think likely the system was extended and improved.

Q--Why was it, Sir, if it was the intention that it should be made over ultimately in part or in whole to the municipalities that that was never done ? A--I do not know.

Q--Did you ever take it up with the Hydro to urge that policy to be proceeded with ? A--I did not personally, no.

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Q--Did the Government as a Government ? A--I cannot tell you. My recollection is that the different properties have never been separated up to the time the Government of which I was then head remained in power.

Q--Do you recall going over any inventories of the property you were purchasing, as prepared by the Hydro ?

A--I did not go over them.

Q--Do you know if any members of the Government did go over these ? A--No, I would not be much wiser if I had.

TO COMMISSIONER HARRIS:

Q--This purchase of the Seymour Power interests by the Governments means that the policy of the Government was entirely changed, and it was a new policy adopted -- a policy that had never been in effect before this purchase ? Was that question of policy discussed by the Government and a decision reached in connection with it ?

A--No doubt it was, because anything done in connection with it was done after full discussion and action by the Cabinet.

Q--Inasmuch as there was a Hydro policy in the Province, and it was the expectation that all power plants and all power distribution would be handled by the Hydro, can you tell us why the policy was changed in connection with this ?

A--I did not say, Sir, the policy had been changed. I tried to explain as well as I could, my recollection of the circumstances after the lapse of seven years. This differed from any other transaction we had had; that it was not only a water power, but included other businesses, and it was not the intention of the Province or the Hydro either to carry on this system including these different plants. They were bought as a whole by the Province with the expectation they would be split up. To that extent it was a change of policy, but I do not know that there was any other change of policy. We had never had any other



transaction like that before, but the Hydro was extending and expanding their business and policies had to be extended and expanded as well.

Q--Was it the Government's intention when they turned those properties over to the Hydro to operate them, that they should be operated on the same basis as the properties they were then handling and that came under the Hydro Act ?

A--Are you referring to the powers or the plant ?

Q--I am referring to the fact that \$8,350,000 was spent by the Ontario Government for the purchase of this property. Was there any thought on the part of the Ontario Government that a sinking fund provision and other provisions for the amortization of that amount of money should be repaid through the price of power paid by the municipalities ?

A--The result of the thought and consideration of the Government was embodied in legislation and in orders in council.

Q-- : : You stated that the Government thought it would be better to have these properties in the Central Ontario System put on the same basis as the Niagara system ?

A--You misunderstood me, Sir. I was speaking in a general way, and I regret I spoke at all now, because it was unfair to ask me to speak without the file before me to help my recollection. What I said, Sir, was that in a general way it was thought right that the people in the eastern section of the Province should have the benefit of publicly owned power as the people in the Niagara section had the benefit of publicly owned power. I was not speaking in a specific way.

Q--If they were to have the same basis of publicly owned power as at Niagara, there would have been the provision in connection with that purchase that they should repay the Government for the service they are getting. As things





stand at the present time, everybody is under obligation and under liability to repay to the Hydro monays advanced by the Government for the advantages that they are getting ?

A--The municipalities have not yet taken it over.

Q--Why should they have been allowed to enjoy these privileges without taking them over ? A--Why should not they ?

Q--Because it is a discrimination against the other municipalities; they are getting this power but they are under no liability to repay to the Government the amount the Government has advanced. These people in the Central System are under no obligation at all ?

A--I think that will be worked out.

Q--That is what we want to find out, whether there is any possibility of working it out. The people in the Central Ontario System have got something the Government has paid for and they are under no obligation at all to repay the Government, none whatever ? A--The Government own the property, and they do not own the other, that is the difference.

Q--Why should the Government own the property and operate it ? A--Because of the judgment of the Government of the day, wise or unwise, it was thought proper to buy it.

Q--And that was the policy which was adopted at the time, which was a complete change of policy ? A--I have already answered that question, Sir.

Q--I want to get it perfectly clear because this is a very important departure in policy it strikes me ?

A--I think I ought to have had notice of what I was going to be asked, and given an opportunity to look over the records.

Q--Did not you have advice that we were to have this hearing ? A--Yes.

Q--How long ago ? A--I had no more idea what I was going





to be asked -- until Mr. Gregory started.

Q--What did you think we were meeting for ?

A--I did not know.

THE CHAIRMAN: I quite understand Sir William after all this time would not have much recollection.

SIR WILLIAM HEARST: I am trying to give you as complete a recollection as I have of it.

TO COMMISSIONER HARRIS:

Q--All we are trying to do is to find out why certain things were done, and you were Prime Minister at the time this agreement was made, and I would think before a policy of this kind was adopted by the Government it would be very thoroughly discussed by the Prime Minister and his colleagues ? A--It was, Sir.

Q--But you do not remember just why these things did take place at the time ? A--I told you my recollection.

Q--You told us you did not know exactly. You have not been able to give us very full explanations ?

A--That may be your opinion; it is not mine.

Q--In the purchase by the Government of a lot of assets such as owned by the Seymour Power Company, the Government of course never buys anything with the idea of making a profit; take the capital invested in the properties and the Government does not expect to make money out of it, not even interest on the investment, the same as you do in building a publicly owned railroad. What I cannot get clear in my mind is why the Government thought the municipalities in Central Ontario should be given this advantage and given this property that has cost the Ontario Government up to the present time \$12,500,000, and the operators of that investment do not have to make even interest charges on it ?

THE CHAIRMAN: Yes, they pay interest.

COMMISSIONER HARRIS: But they do not have to any



more than on the Intercolonial Railway.

WITNESS: The property was in the hands of the Government. The Government bought it believing it was a good purchase, that it could be worked out, and intending in time to work it out, I have no doubt, on the same plan that the other Hydro properties were worked out. We were satisfied with the value of the purchase, and that was the security of the Province.

Q.--Why did not the Government adopt that policy all over the Province? Why don't they come up to Brantford and buy our water works and our distribution system and relieve us of all that responsibility in connection with repayment of that? Why don't they do it everywhere in Ontario? Why should it only be done in certain small sections?

A--I think wherever circumstances existed as existed in Central Ontario, we would be prepared to have done so.  
TO THE CHAIRMAN:

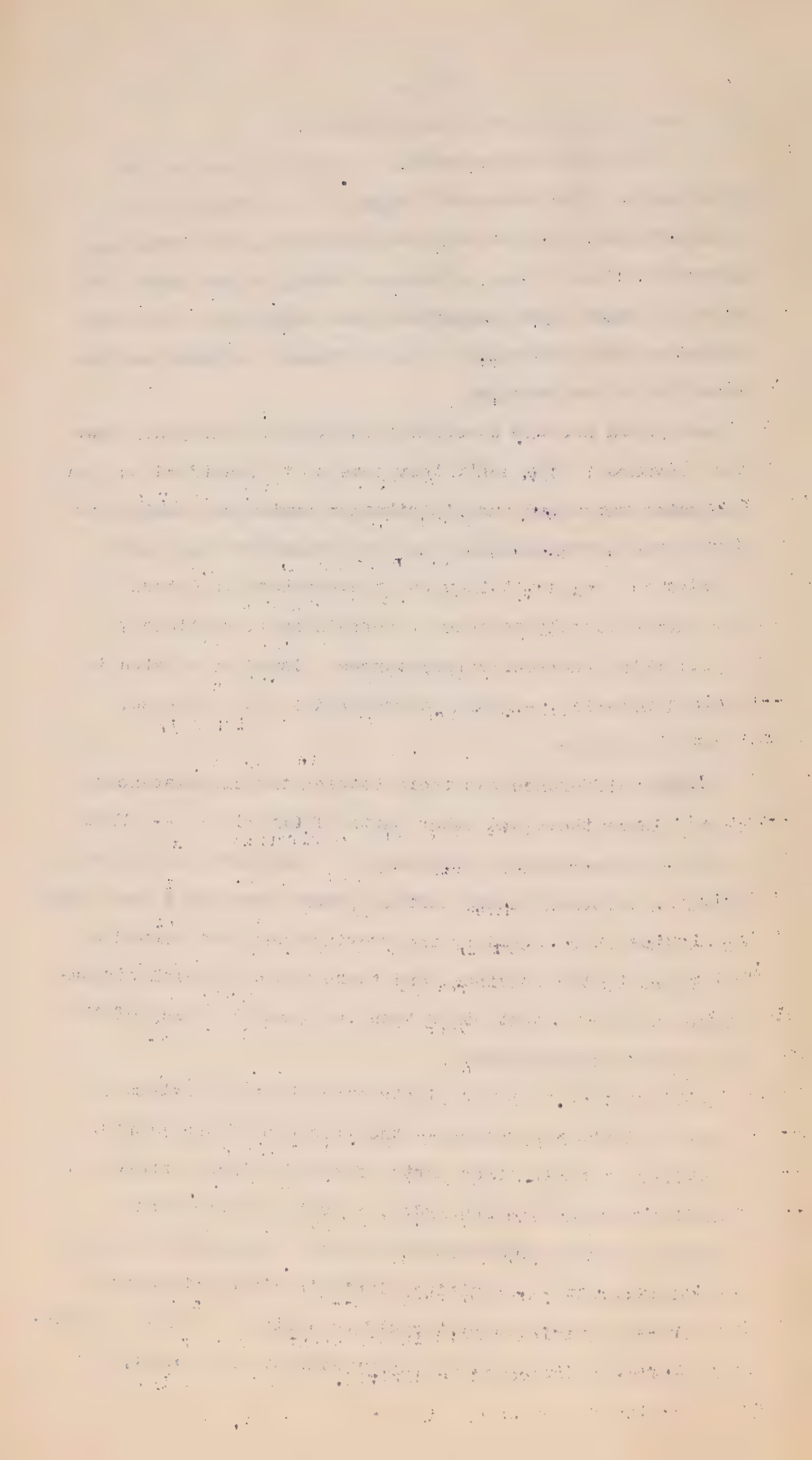
Q.--What difference was there between the circumstances that existed there and other parts of Ontario? -- What special circumstances were there? A--There was a power plant an existing plant; certain powers there that were owned or claimed to be owned by the Province and that should be developed by the Province, and there was no special circumstance needed in that other than the general policy of the Government at that time.

Q.--There were no power plants owned by the Province?

A--No plants themselves -- the proceeds of the plants.

Q.--There were in other parts of the Province a number of plants taken over by the Hydro, existing plants, and operated on the general Hydro System? A--That is what I am pointing out -- acquiring plants in different parts of the Province where benefit could be derived. I have explained one reason -- the reason in my mind at the moment, why





this was not perhaps dealt with in the same manner as some of the others to which you have referred; it was not solely a power plant.

Q--But you got nothing but the power plant.

COMMISSIONER HANBY: They got public utilities.

THE CHAIRMAN: You got the public utilities, the street railway and the flour mill and pulp mill ?

A--It could not be taken over otherwise, and that was the reason it was taken over.

Q--Why did you take over the flour mill and pulp mill and gas works and water works and street railway, if you were going to run it as a Hydro system ? A--I presume it was thought the best bargain could be made in the way it was made. These people would not sell parts without the whole.

Q--But the Hydro had powers of expropriation. They could have expropriated the power plants and left the others alone ?

A--They thought it would not be wise to do it.

Q--Does it occur to you the reason why you felt it was necessary to buy the whole thing ? A--I do not know what the reasons were, but I can guess what they were -- it would occur to anyone -- because we thought that was the best way to buy it out, rather than to either expropriate the power plants or pay the price, whatever it was, that they were asking for it.

TO COMMISSIONER J.A.ROSS:

Q--What led you to believe you could dispose of the undesirables ? A--I cannot tell you. I cannot tell you the details.

TO COMMISSIONER HARRIS:

Q--A full investigation and report was made of all the properties and a recommendation was made to your Government that the Government should buy them -- by the Hydro ?

TO THE CHAIRMAN:

Q--We find amongst the records in the office of the Hydro





Electric Power Commission a letter from Sir Adam Beck to you, in which he says that he recommends the purchase by the Government by giving \$8,350,000 in 4 per cent Government bonds payable in 50 years. We find that eventually the Government gave \$8,350,000 in 4 per cent Government bonds payable in ten years; why was that change made ?

A--I cannot tell you, Sir. I have not any knowledge with reference to that. That was a matter of financing in some way.

Q--You will note the great difference ? A--I cannot give you any information.

Q--Was not it discussed with you ? A--It probably was.

Q--You do not recall any conversation that was had ?

A--I do not recall that. I remember something about it. I think it was a question with the Treasurer in financing, but I am not clear about that, so I do not want to say anything about it.

TO COMMISSIONER R.A.ROSS:

Q--Would it be fair to say the genesis of this whole matter was the question of giving the municipalities in that district the same advantages as those in the rest of the Province ? A--Yes.

Q--And the plant that was taken over by the Government is the first and only plant it has ever taken over ?

COMMISSIONER HARRIS: What do you mean by the plant ?

COMMISSIONER R.A.ROSS: The business.

Q--This is the first time anything of that kind had been done by the Government ? What I am anxious to get at is why the Government found it necessary to side-track the Hydro, or did they ? A--No, there was no side-tracking of the Hydro. The matter was done on the recommendation of the Chairman of the Hydro, as the Chairman has just read.

Q--That was after the event ?



TO THE CHAIRMAN:

Q--Just as the agreement was being signed -- the Government had stepped in ? A--I have no recollection as to that.

TO COMMISSIONER R.A.ROSS:

Q--Did you not find the Hydro and other people had been bargaining and had got to a dead lock ? A--I think that is so.

TO COMMISSIONER HANEY:

Q--I suppose the idea you have expressed was that all those public utilities being a part of the Seymour Power Company or the Electric Power Company would be ultimately separated and probably go back to the municipalities and the Hydro would be left with the type of business that it was originally intended to do, the development, transmission and sale of power ? A--That was my idea.

Q--And the municipalities, when it could be arranged, would come in and take the same part in the administration of this system, as the municipalities in other parts of Ontario do ?

A--Quite so -- no doubt that was the idea. I intended to convey that idea that the Hydro had been bargaining for a long time and they had not come together, and eventually the Government did come together with them.

TO THE CHAIRMAN:

Q--Was the Hydro not prepared to go ahead in Central Ontario as they had gone ahead in other places and acquired these plants by expropriation ? A--I do not know whether they were prepared to do it or not, but it was not thought wise to take that proceeding, when they could be obtained at the price they were.

Q--What would be the objection to the Hydro taking that course -- taking the usual course in Central Ontario and expropriating such plants as they needed ? A--Because, no doubt, it was thought it would cost too much on an





expropriation basis.

Q--That the Hydro would have to pay more on an expropriation basis than you did on the agreement ? A--No doubt.

Q--Was the Hydro willing to go ahead with it by way of expropriation in the usual way ? A--I cannot tell you.

Q--Did the Dominion Government raise any objection to the Hydro expropriating ? A--I cannot say; I do not know.

Q--You do not recall an interview with any member of it ?

A--I do not know how practical it would have been to acquire the property in a workable way by expropriation. As to that, I do not know.

COMMISSIONER HARRIS:

Q--You would not be very familiar with something that happened six years ago, and I presume that probably the members of your Government who actually carried on the negotiations are the men who would be able to give us the information. There are many things that come into our minds in connection with things of this kind that make us wonder why certain things happened and why certain things were done. Of course one of the results of this is the Hydro Commission are in a position to do a lot of things with the Central Ontario System that they could not do with the other systems. They do not have to sell power at cost, which is the great slogan of the Hydro. "Selling power at cost." They can make fixed rates and they can make these fixed rates below cost if they so desire. They do not have to provide a sinking fund to repay the Government the twelve and a half million dollars that the Government has advanced for this system, and it puts the whole situation in quite a different position to all the other systems. In fact as I stated before, I think the other systems are discriminated against because why should not they be in the same position and have the same advantages ? A--There was no intention of discriminating

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against anyone; it was thought this was the best way to work it out.

Q--For another thing, Central Ontario was well served, I believe, by the Seymour Power Company. I believe the people generally were satisfied with the service and certainly they were getting power at a cheaper cost than they have had it since ? A--I cannot tell you.

Q--These are the things that come into our minds that we have to think about ? A--It might not have worked out as anticipated; I cannot tell you.

TO COMMISSIONER R.A.ROSS:

Q--The relations of the Hydro to this system are entirely different to its relations to the other systems or most of them. In the original Hydro case, they were the agents of the municipalities and the Government was merely the backer. In this case, the Government is the <sup>owner</sup> and the Hydro is the agent of the Government and the municipalities have nothing to say; they do not intervene -- that is right ?

A--That is the case. I have no knowledge of what has taken place for years.

HONORABLE HOWARD FERGUSON, M.P.P.

TO THE CHAIRMAN:

Q--You were a member of the Government of Sir William Hearst?

A--Yes, Sir, I was for a time.

Q--Were you in 1915 and 1916 ? A--Yes.

Q--What position had you in the Government ? A--I was Minister of Lands, Forests and Mines.

Q--During the whole of it ? A--From December 22nd, 1914 until the flood.

COMMISSIONER HANEY: The Cyclone.

THE WITNESS: The epidemic.

TO THE CHAIRMAN:

Q--Did you carry on the negotiations which resulted in the



acquisition of the Central Ontario Power Company by the Government ?     A--Very largely, yes.

Q--Can you tell us, Mr.Ferguson, from your own knowledge just what went on between the Government and the Hydro, and the Government and this Central Company or any other interest prior to the purchase, and what led up to it ?

A--Yes -- I will have to speak from recollection. I have not seen the files and it is over seven years since the agitation was first started. There was a very strong feeling all over the Eastern part and central portion of Ontario, that there was perhaps what they thought discrimination against that part of the Province with regard to the power service. That while the whole Province was loaning its credit to Hydro, the Eastern part was not getting any benefit from it. I understand the original scheme of the Hydro was to extend its operations all over the Eastern part of the Province. My recollection is -- and I speak now only from recollection -- that the Hydro applied to the Dominion Government for some powers on the Trent Valley, and it was found these powers had been promised to the Seymour people by one of the Ministers -- the former Minister of Railways.

Q--Is that Mr.Cochrane ?     A--Promised by Mr.Graham -- previous to Mr.Cochrane's time.

Q--Would that be a verbal promise ?     A--I cannot recall. I have some recollection there was said to be something on the files in Ottawa. I was in Ottawa talking about it, back and forth more or less. I have some recollection that there was because we were urging very strongly that the Hydro should be allowed to develop powers in that part of the Province, and of course eventually the question came up that they were going to have competition in the service and that would be a waste of capital and energy, and destructive to both in a comparatively small field, and I





recall Mr. Cochrane urging very strongly that the Central Ontario people should be bought out entirely. Eventually negotiations were carried on between the Hydro and the Seymour Power Company. I do not know the history of these negotiations. All I know is the fact that there were some negotiations.

TO COMMISSIONER HANEY:

Q--This is before the Provincial Government got into it at all ? A--Yes. The Chairman has asked me to recall what I can about it. I recall that they got to a stage at one time agreeing on Sir Henry Drayton fixing the valuation of this plant, and we held a session down in the City Hall, and took some evidence which must be available somewhere.

THE CHAIRMAN: We have it.

THE WITNESS: Then my recollection is that a disagreement arose as to what the purpose of that arbitration was. The power company took the position that Sir Henry's finding was to be final as the purchase price, and the Hydro's position and our position was that it was to be perhaps more of a guide in the purchase -- it was the basis of negotiations to get at an approximate value.

Q--That the award would not necessarily be binding ?

A--Quite so. That I think was the real cause of the breaking off of the negotiations between the Company and the Hydro, because Mr. Johnston, the President of the Company was very much incensed at our attitude and the attitude of the Hydro, and he said he was through with the negotiations with the Hydro.

Q--These were negotiations between the Hydro and the Company, not between the Government and the Company ?

A--The Government had not been in it at all except incidentally. Of course we would have to furnish the money to buy it, and as you know it is more or less of a scrambled





omelot -- the whole proposition down there, not purely a power proposition, but pulpwood and gas and water and electric railways -- all that kind of thing in it.

Q--If Sir Henry Drayton had made an award that had been accepted, would the purchase have been made by the Hydro or the Government ? A--By the Government.

Q--So that you were in it then ? A--Yes, I remember I was there, in sort of watching role -- Mr.McGarry and I at this hearing.

TO COMMISSIONER HARRIS:

Q--There was not any evidence taken at the hearing ?

A--No, we sat there all day.

TO THE CHAIRMAN:

Q--The discussion was as to whether the award would be binding, and then it adjourned indefinitely and never met again ? A--I have forgotten about it. I know we had a meeting. There was a great deal of clamour all over the Eastern part of the Province about it, and Mr.McGarry and

I, being the ministers from that part of the Province, it came to us and we were anxious that something should be done, and there was no way out that I could see that Hydro could break into Eastern Ontario and get by this barrier that ran from north to south across the centre of the Province, unless we did buy out these people. The Government had not any desire to confiscate anybody's interest or destroy anybody's investment; we wanted it to be a fair valuation. Then Mr.Johnston and I came together.

Q--That would be Mr.Strachan Johnston ? A--Yes, the President of the Company. We came together and began some negotiations, and eventually arrived at tentative figures, and then the Chairman of the Commission and I,(and I think Mr.McGarry was present) -

Q--Did Mr.Lynch Staunton take any part ? A--He was



present at some interviews.

Q--What interest did he represent ? A--He had been advising us with respect to the Province's claim to the waters, and whether it was before or after that we launched an action for a declaration of rights, and all this accumulation of things made it important that we should get the whole thing out of the way by getting control of the system.

Q--He was really your counsel ? A--Yes, he was acting for us. We reached figures that were satisfactory, and then I consulted the Chairman of the Commission and he made a recommendation.

Q--That is Sir Adam Beck ? A--Yes, and that recommendation is somewhere on the files.

Q--We have it here. Would this be the recommendation, the letter from Sir Adam Beck to yourself, dated March 4th, 1916, and reading as follows :

"Referring to the Electric Power Company's interest in the Trent District, I would recommend that the Government offer the Electric Power Company, including all interests controlled by it, for all their physical assets, (excluding the accounts receivable and payable) franchises, rights, interests, contracts, works, etc., as they existed on March 1st, 1916, and as added to since that date, the sum of \$8,350,000 in 4 per cent Government bonds interest payable half yearly, bonds redeemable in fifty years; such bonds shall provide for the deferring of the sinking fund for the first ten years.

(Sgd.) A.Beck".

A--Yes, and the agreement was executed and legalized by the Legislature, and I think the Statute confirms the agreement, and it is made a schedule to the Act.

TO COMMISSIONER HARRIS:

Q--Why did not the Hydro Commission make that agreement and





take over the properties and put the whole thing on the same basis as other systems in the country ? A--The Hydro as I told you had been negotiating until they came to an impasse with the Company. Mr. Johnston, I remember, very emphatically said, "I will carry out no more negotiations with the Hydro at all" and if it was to be purchased it must be purchased by the Government.

Q--It was not unusual for the Hydro and the power interest not to come to an agreement, but then the Hydro had the power of expropriation -- taking it over at a fixed price; why was not that done in this case ? A--I do not know whether the Hydro would be in a position to expropriate a pulp mill and street railway.

Q--Could not they take the power plant ? A--I suppose some legal question would arise as to that.

Q--Would not it be just as easy for the Hydro to get the necessary legislation to enable them to take over everything ? A--I suppose you could legislate to take away anything.

TO THE CHAIRMAN:

Q--Was there any feeling in any quarter that if the Hydro did go about it in an arbitration, it might get the property at less than value and it would be a detriment to the owners or bondholders ? A--Not so far as my knowledge goes, because speaking from recollection I do not recall anything of that kind. It never came to me -- anything of that sort, -- when negotiations are being carried on, if the fellow does not get enough, of course he is being unduly coerced -- and that sort of thing.

Q--No special reason occurs to you why the Hydro proceeded differently or why a different course was taken in Central Ontario than had been taken by the Hydro in acquiring plants throughout the rest of Ontario ?





A--There is that occurs to me, Mr. Gregory, -- I suppose as you say, they could have got enabling legislation if the legislation was not wide enough. It would be a pretty drastic step to say the Hydro could step in and take out the power interests and leave the rest of the junk on the company as a loss.

Q--Do you regard it as junk ?

A--If separated. It might work out all right in connection with the rest of the system. I doubt if any Government would undertake to pass legislation of that kind.

Q--Railroads have all that power -- power of expropriating just what they want ?

A--Surely.

Q--It would not be introducing any new principle ?

A--There would be the question of compensation and all that, and it would complicate the situation very considerably. There would not be any objection in my view to the Government purchasing, because it was a question of either furnishing the money or endorsing bonds, because the ultimate purpose or intention was it should be worked out on the Hydro basis, that is, that the various powers and plants should be taken care of on the basis of cost, and the other stuff disposed of from time to time. In fact I think they have disposed of some of it.

TO COMMISSIONER RANEY:

A--The Water Works ?

A--I do not remember now because I am not in touch with it.



TO THE CHAIRMAN :

Q--Was it anticipated that if the Government did buy it, it could ultimately dispose of it at a price which would save them from loss? A--The idea was to hand it over to the municipalities at just what it cost.

Q--And there was a reasonable prospect of that being done?

A--Quite. The situation had been canvassed very well in the Eastern part of the Province. I do not think Kingston was linked up with the system at that time, and they were clamouring for this to be done -- they had a very small make-shift power down there, and they were very insistent -- and a number of other towns.

TO COMMISSIONER HANEY :

Q--Was the Hydro Commission instructed to administer works in that way? A--With the view of taking it over eventually?

Q--Yes? And the Government backing your negotiations with the municipalities to take over their own public utilities?

A--Yes. I made one oration down at Peterboro, and I think the Hydro Chairman made some declaration to the same effect.

Q--Did the Government instruct the Hydro to do that?

A--I cannot say that there were specific instructions, but it was the understanding.

TO THE CHAIRMAN :

Q--Did the municipalities themselves make any representations or suggestions that it would be purchased in this way -- with the view of them taking it over eventually?

A--I cannot give you the specific incidents, but I know it was that was the purpose, and I discussed it with the representatives of many municipalities -- with people from Eastern Ontario that were seeking better power and light facilities who would come up to Toronto and would see either





me or Mr. McGarry. This thing was a matter of constant agitation.

Q--Did the parties who held the bonds covering the Seymour System ever make any representations on the subject, that is the Sun Life Insurance Company? A--Only once, and that was after Mr. Johnston and I began negotiations. I think Mr. McCauley came with Mr. Johnston once. I have a dim recollection that he was in my office.

Q--Do you recollect what attitude he took in the matter?

A--Of course their attitude was that they were being unmercifully squeezed. I think he said their bond issue was something like nine millions, or nine and a quarter millions.

TO COMMISSIONER HARRIS :

Q--Which they bought at 85? A--I do not know as to that.

TO THE CHAIRMAN :

Q--Who was squeezing them? A--In all the negotiations -- He claimed I was not treating them fairly and they felt this. I remember Mr. Johnston telling me the Minister at Ottawa told him he would have to sell out -- "he might as well sell out." I think the Minister at Ottawa, Mr. Cochrane, told him if he did not, he was going to give Hydro a lease of a couple of dams down there for power.

Q--Did he go further and say for what price he should sell out? A--Do you mean Mr. Cochrane?

Q--Yes? A--I do not know as to that. Mr. Cochrane was here frequently in my office and we discussed it. He did not come for the specific purpose of talking about it, and I went to Ottawa frequently and we would talk about it incidentally.

Q--He had been a former colleague of yours in the Cabinet?

A--Not quite. He had been in the Government.

Q--Did Mr. Cochrane go so far as to discuss price, and say, "If they will give you this price, you should sell out"?





A--Not that I know of. I have no recollection of any such thing.

Q--He did not suggest any price? A--So far as price is concerned, the negotiations that eventuated in this figure being fixed were largely, if not altogether, between Mr. Johnston, Mr. Staunton, Mr. McGarry and myself. There might have been somebody else there -- but I cannot recall -- and then the Hydro were consulted about it.

Q--Did the Government on its own account make any investigation as to the value of the assets of this company that they were purchasing? A--The Hydro were experts.

Q--You relied entirely upon them? A--Oh, yes.

Q--Did you see any reports or did they just tell you?

A--I have no recollection of ever seeing any reports. I suppose it would be largely unintelligible to me if I did see it.

Q--The letter, Mr. Ferguson, from Sir Adam Beck, recommends that the purchase price be \$8,350,000 payable in 4% Government bonds running for 50 years? What occurred to change those terms? A--That was something that the Treasurer had something to do with, and you will find on the files a long calculation and memoranda from the Treasurer's Department.

Q--In the files of the Treasurer's Department? A--It should be on my file -- the Department file. That was the financial aspect of it, and is more of a technical nature worked out by the Treasurer. I remember one of the considerations was then, it was thought in ten years this whole thing could be re-organized and put on a Hydro basis, and then it would have to be re-financed and taken care of. That was one of the considerations.

Q--If the Hydro was taking it over it would be in a better position, would it not, if it had this financing all



arranged for 40 years to come at 4% rather than have to re-arrange it at that time? A--I do not know, Sir.

Q--That would depend on the rate of interest?

A--Quite so. If it were divided up into units and sold to the various municipalities in the ordinary method the Hydro adopts, there would have to be some re-financing.

Q--In taking these different steps in the matter of valuation and price and that, did you keep closely in touch with the Hydro Commission? A--Closely in touch is a relative term. I was in touch with them.

Q--Did they concur in the purchase by the Government, and the price? A--Oh yes.

Q--And on the terms that it was finally taken over on?

A--You mean on the ten years?

Q--Yes? A--I cannot tell you as to that. I do not recall whether they were consulted about that or not. That would be purely a financial proposition.

Q--It made a difference of a million dollars? A--I do not know that it would. I know the Treasurer's Department worked that all out very carefully. I remember seeing the memoranda that were brought down from Mr. McGarry's Department, and they must be there on the file.

Q--As the Hydro was to administer this, and as they were ultimately to make it over to the municipalities, it would seem this was rather an important point and that they would have been consulted before any change would be made in the terms of Sir Adam Beck's letter? A--Possibly the Treasurer's Department would know, but I do not know.

Q--You do not recall? A--I do not recall.

Q--You will notice, Mr. Ferguson, that in the letter of Sir Adam Beck, he says there should be provision for a sinking fund; do you know any reason why no sinking fund was ever established? A--Does not it say after ten years?





5. Q--Yes. There is a period in all the Hydro schemes where the sinking fund provision is suspended for seven or eight or ten years. This was to be ten years.

-When was the final agreement arrived at? A--The agreement shows.

Q--It bears date March 10th, 1916, but you spoke of them adjusting the bonds so as to make them ten instead of 50 years. When did the parties come to a final agreement as to what the terms should be, in order to have the agreement prepared?

A--I cannot tell you the exact date. The negotiations did not extend over a very lengthy period -- perhaps a matter of weeks. That is my direct negotiations with the company. I cannot recall.

Q--Do you recall a meeting at the Parliament Buildings at which Mr. Cochrane was present, Sir Adam Beck, Dr. Reed, Mr. Lynch Staunton and Mr. Gaby? A--I believe I do -- in my office?

Q--Yes? A--I think so. I recall their being there.

Q--Might it be at that meeting the terms were finally settled? A--It is possible.

Q--You cannot speak positively? A--I cannot speak positively. If I went through all the files carefully it might refresh my memory in respect of these things.

Q--Was Mr. Strachan Johnston there? A--He was certainly there when it was concluded. I do not know whether he was there on that occasion or not. When Mr. Cochrane and Dr. Reed came to Toronto, they invariably came up to my office ; they were there very frequently. They might be there not in connection with this at all. I remember one occasion with Mr. Gaby and Sir Adam Beck, and those two were there, and I have an idea Mr. Staunton was there that day. They were discussing Hydro that day -- this very proposition. I do not know how far we got.





Q--It has been suggested that was the meeting at which the final agreement was reached? A--It may have been; it is possible. Is there anything to show the date?

Q --I think the day of the week is mentioned - - Saturday afternoon. Mr. Cochrane was up.

TO COMMISSIONER HANEY :

Q--Sir Adam's letter recommending the purchasing on the 50 year basis, 4%, is dated the 4th, and the contract is signed on the 10th -- so all these acute negotiations naturally would have gone on between these dates?

A--Well, we had some fairly acute interviews before that.

Q--Leading up to the agreement? A--Yes, we were getting closer together.

Q--So it was within five or six days, we would judge from the evidence we have and the documents? A--Yes.

TO THE CHAIRMAN :

Q--Do you recollect if the figures and different schemes of purchase were mentioned at that meeting or not?

A--Yes;, there were twenty odd companies, and I remember different times we discussed the amount of development there was and all that sort of thing in a general way, but I cannot recall now. The whole proposition was threshed out, and I had been over the Trent Canal a number of times myself and knew something of the development down there, and something about the distribution system. I was, in a sense, more or less familiar with it.

Q--Was anything said at that meeting, do you recall, about the valuation of the property? A--Do you mean at this meeting?

Q--Yes, on this Saturday afternoon? A--I do not recall what took place there at all. I remember their being there, and I assume the thing was discussed, but whether they talked values or not, I do not know. If anything transpired, you would probably find on the files a letter



referring to it or something of that sort.

Q--Was anything said, that you recall, as to the existing contracts between the companies that were being taken over and the customers for power? A--We were to maintain the contracts.

Q--Was anything said as to whether they were profitable or unprofitable contracts? A--It was said at that time that the company had taken care of its obligations -- earned revenue sufficient to take care of them -- I remember that.

Q--That the company was earning enough to pay its way -- making both ends meet? A--That is what I understood.

- TO COMMISSIONER HANEY :

Q--Paying interest on its bonds? A--Taking care of its bond issue. That is my recollection.

TO THE CHAIRMAN :

Q--What I am thinking about ; there were contracts covering terms of years made between this company and private customers; do you recall if anything was said about them?

A--No, I do not recall distinctly.

Q--You do not recall inquiring about them or asking for any information about them? A--I have no doubt because I am curious naturally about things, and I have no doubt I inquired about all sorts of things. I knew as a matter of fact there were some long term contracts.

Q--Do you know whether or not they were profitable contracts for the company? A--I cannot recall that. I do not remember that I ever went into that.

TO COMMISSIONER HANEY :

Q--I suppose you naturally would leave that to be considered by the Hydro people? A--Yes, so far as that side of the transaction was concerned that was to break through the barrier between the Eastern and Western part of the Province and give the people down there an opportunity of getting





power in a similar way to what they were in Western Ontario. And to get rid of these people I was prepared to see that they got a reasonable price--that none of their property was confiscated, and so on.

TO THE CHAIRMAN:

Q--What provision did you make to assure that that would be the result? A--There was a thorough understanding, as I said a moment ago, that this eventually would be converted to conform to the Hydro methods and system: power at cost, and it was felt it could be worked out in ten years.

TO COMMISSIONER HANEY:

Q--It was not the intention that the Hydro should retain the pulp mill and public utilities? A--No.

Q--They should pass them back to the municipalities?

A--And dispose of them--dispose of everything that did not come within the electrical field.

Q--Did the Hydro Commission appreciate the attitude of the Government in that respect? A--I think so--Oh yes. They had some negotiations about the sale of the pulp mill, and I think they have sold some of these other things.

Q--With the exception of the water works of Trenton, no action has been taken with respect to these utilities up to the present time? A--It is three years or more since I had anything to do with it.

TO THE CHAIRMAN:

Q-- Mr. Harris pointed out, in the case of the Hydro municipalities, the municipalities themselves become liable for the cost; in this case the municipalities incur no

liability at all? A--Yes, we were temporarily financing the thing; it was realized it would take sometime to re-organize and to unscramble it. In the meantime the Province was furnishing the money and bought the plant, and as the thing was untangled and put on a Hydro basis, the municipalities





would have to become responsible for the different services, just as they do in Western Ontario.

Q--Supposing the municipalities declined to take them over?

A--The Government would own it.

Q--It would have to bear the burden itself? A--There would not be any burden because we would do just what the Hydro do; charge just what it cost.

TO COMMISSIONER HARRIS:

Q--But you do not?

A--I do not know as to that.

You are making the statement.

Q--That is exactly the point I want to bring out. When the Government turned this over to the Hydro to manage it, was it their intention they would manage these properties the same as all the other properties?

A--Eventually; they could not do it at once because there were contracts existing that had to be observed, and it was thought that in about ten years that conversion would be brought about, and the people down there thoroughly understood that.

(Page 1288 follows.)



Q--They probably understood it if they could get the plants at cost ? A--That would be a matter for negotiation. I do not see any insurmountable difficulty about that.

Q--They are building up insurmountable difficulties every day under their management ? A--Of course that is your view.

Q--Take the City of Kingston, for instance - a fixed rate has been entered into under a contract with the City of Kingston; for the next twenty years they get their power at a fixed rate. Kingston naturally says, "We won't go into this; we have a fixed price; we are under no liability; we have nothing whatever to do with it; we have a contract for power and we get it at a fixed price" ?

A--I am not here to argue about it, but simply to tell you what I know.

THE CHAIRMAN : Perhaps Mr. Ferguson did not know that.

THE WITNESS : No.

TO COMMISSIONER R. A. ROSS :

Q--Was not that agreement made with Kingston before it was taken over ? A--I do not know. I know Kingston for some reason or other was clamouring that this transaction should be put through so that they would have the advantage of getting power.

TO COMMISSIONER HARRIS :

Q--Kingston was not on the Central System previous to the Government buying it ?

A--I think not.

TO THE CHAIRMAN :

Q--One of the representatives from Central Ontario was up here and in stating what the attitude of the municipalities was, said, "If we find that any part is not a paying proposition, we will let the Government keep it. If we find it is a paying proposition, we will take it over ourselves".





Did the danger not occur to you that that is what would happen: the municipalities might take over the profitable parts and leave the Government with the unprofitable parts ? A--No, because the opinion was so universal and so strong down there. In fact there was such feeling in Peterboro and in that district, over the situation, that I was sent down, or went down, for the purpose of making a public statement to them as to the situation.

Q--Then was that -- before or after ? A--This was after it was taken over.

Q--Within a year after ? A--I think so.

Q--At Peterboro ? A--Yes.

TO COMMISSIONER HANEY :

Q--As a matter of fact, as I understand it, the municipalities were not taken into counsel in connection with these negotiations ? A--They were not called into the conference, but I do not know how many had consulted me and how many deputations there had been here.

Q--Any records of those ? A--No, unless something definite is arrived at, you do not usually keep a record of a deputation.

Q--Have you a record of your speech ? A-- No, I forgot my speeches <sup>as</sup> soon as I have made them.

TO COMMISSIONER HARRIS :

Q--Did you ever see the valuation of these properties that the Hydro engineers prepared and furnished to the Hydro ? A--No, I do not think I ever did.

TO THE CHAIRMAN :

Q--Were you aware of the offers made by the Hydro to the Seymour Power Company prior to the Government taking it up ? In Sir Adam Beck's statement he refers to offers made by the Hydro to them ? A--I cannot speak definitely. I do not know any definite offers; I know there had

The first question is of course, what is the purpose of the investigation?

It is to determine the extent to which the various factors mentioned in the preceding paragraph are operative in the production of the disease. It is to be determined whether or not the disease is caused by a single factor, or by a combination of factors, and if so, what are the factors?

The second question is, what are the methods of investigation to be employed?

The methods of investigation to be employed are of two kinds, namely, the experimental method and the observational method. The experimental method consists in the deliberate production of the disease in the laboratory, and the observational method consists in the observation of the disease in the field.

The experimental method is of two kinds, namely, the direct method and the indirect method. The direct method consists in the deliberate production of the disease in the laboratory, and the indirect method consists in the observation of the disease in the field. The observational method is of two kinds, namely, the direct method and the indirect method. The direct method consists in the observation of the disease in the field, and the indirect method consists in the observation of the disease in the laboratory.

The third question is, what are the results of the investigation?

The results of the investigation are of two kinds, namely, the experimental results and the observational results. The experimental results consist in the production of the disease in the laboratory, and the observational results consist in the observation of the disease in the field.

The fourth question is, what are the conclusions of the investigation?

The conclusions of the investigation are of two kinds, namely, the experimental conclusions and the observational conclusions. The experimental conclusions consist in the production of the disease in the laboratory, and the observational conclusions consist in the observation of the disease in the field.

The fifth question is, what are the recommendations of the investigation?



been negotiations. In fact I knew the Commission could not be offering the company what it felt like taking.

Q--Do you know what it had been offering the company and which it refused to take? A--I do not recall that.

TO COMMISSIONER R. A. ROSS :

Q--The Government paid \$8,350,000 for this plant; upon what basis did they pay that money? Was it a physical valuation or reproduction cost less depreciation or was it the money value on earnings? A--Perhaps you are asking me something I cannot answer. As I said, after thumb-screwing the company as much as I could, I arrived at the lowest figure I could get them to take, and then I said to the Hydro: "is it worth it?" It was for them to fix the valuation.

Q--It looks as if there was something that fixed the screwing down point at a price which would recoup their bonds; it just works out that way? A--They complained that they would not be able to recoup their bonds.

COMMISSIONER HARRIS : 90% of the bonds were owned by the Sun Life Insurance Company.

TO THE CHAIRMAN :

Q--When you got to that point and you found out what the Seymour Interests and the bondholders were prepared to take, you took the matter up with the Hydro, and the result was the letter from Sir Adam Beck saying they recommended the purchase at that figure? A--That is my recollection.

Q--You cannot explain whether they were consulted about the difference in the term of the life of the bonds?

A--I do not recall that. That would come from the Treasurer's Department.

Q--Do you recall anything being said about the Nipissing System not being included in the original offer? A--Yes.

Q--What do you recollect about that? A--Not very much



except the incident. It was on the wording of the recommendation, if I recollect right.

Q--In that letter of Sir Adam, he speaks of the Trent System ? A--Yes, I think that was it - the company took the position that the Nipissing was not part of the Trent System.

Q--Sir Adam Beck claims his letter was intended to refer to the whole system, Nipissing and all ? A--Yes, all their physical assets.

Q--Were you aware in making up the price, the Nipissing System was included in it by the Hydro ? A--No, I do not remember.

Q--Their inventory as shown by them to us shows that ?

A--My recollection is that Sir Adam came to my office and we discussed it, and he said he would recommend this, and he wrote a letter or sent it - I cannot recall. I know they went into the details as to the value of the different plants or services because it would be useless for me to do it.

Q--Were the relations between the Government and the Hydro at that time of a most harmonious character ?

A--I do not know what you call harmonious. I got along with them all right.

COMMISSIONER HARRIS : You get along with everybody?

THE WITNESS : I try to, unless they fight with me. The Hydro and the Government I think were working in perfect accord. Of course inevitably there were cases where the Hydro might hold a different view to what the Government held, and there would be discussion and all that sort of thing.

Q--Were there differences of opinion expressed with any degree of feeling by Sir Adam Beck ? A--He has a forceful way of talking at times - just like Mr. Haney - it is





not offensive to those who understand him. I always got along with him. Of course there were numerous occasions when the Hydro and officials would be up in the Council Chambers discussing matters and we had animated discussions. I would not give the snap of the finger for the fellow who would not back up his opinion.

TO COMMISSIONER HANEY :

Q--I think Mr. Ferguson it is most important in this investigation for the Commission to ascertain who can tell us why the life of the bonds was changed from 50 to 10 years, and what the reason was. You say you cannot ? A--No, I cannot recall. I have a recollection there was a memorandum on the files about it. I am inclined to think Mr. McGarry is the man to tell you about that because that is the financial side of it.

Q--It involves quite a large amount of money ?

A--There were good reasons for it.

Q--We assume so, but we would like to know what they are and who can tell us ? A--I am inclined to think you would get that from the Treasurer.

TO THE CHAIRMAN :

Q--Can you suggest anyone else who could tell us ?

A--No, most of this discussion was carried on with Mr. McGarry and myself, and after we had threshed out the preliminaries about any phase of it, we discussed it with the Prime Minister or in Council. It all had to be done subject to Council, but we were the two who negotiated the thing, and I did the major portion of it.

TO COMMISSIONER HANEY :

Q--Do you remember whether Sir Adam was called on in this final solution of the difficulty with reference to the ten year bond issue ? A--No, I do not recall that. It was in the spring of 1916.





Q--March, 1916. It was between the 4th of March, 1916, and the 10th of March evidently that this occurred, because the contract was dated the 10th and Sir Adam's letter the 4th.

TO THE CHAIRMAN:

Q--That 4th was the Saturday of which we spoke -- that is the date of the meeting held in these buildings ?

A--I frequently worked Saturdays and Sundays too when I was up here.

COMMISSIONER HANEY : A good Presbyterian too.

WITNESS : I am broader than that; I am an Anglican.

TO COMMISSIONER R. A. ROSS :

Q--Have you any recollection of seeing the profit and loss account of the company ? A--No.

Q--Did you ever ask for one ? A--No, I feel quite confident I never did.

Q--So it could not have been purchased on a profit and loss basis or going basis ? A--The valuation was left entirely to the Hydro. If the Hydro had not recommended the price, we would not have bought it.

TO COMMISSIONER HANEY :

Q--You may have taken some responsibility with reference to the changed time of the bonds ? A--Might, yes. I have no doubt the Treasurer had good reason for doing that.

TO THE CHAIRMAN :

Q--And the Hydro may not or may have assented to that change ? A--Yes, I do not know anything about it. I have no recollection about it.

TO COMMISSIONER HARRIS :

Q-- You took their valuation of the plant ? A--They were the experts of the Government.

TO COMMISSIONER R. A. ROSS :

Q--They recommended a valuation ? A--They recommended



the basis we had arrived at - put it that way.

TO COMMISSIONER J. A. ROSS :

Q--Did you look into the valuation in any way ? If I were in your position, representing the Government, it seems to me I would look into the figures brought down by my expert to ascertain whether it was an economically sound proposition, whether it would pay its way or not, and come to some opinion with regard to the detail ? A---As I take it that was the business of the Hydro.

Q--You accepted their expert opinion ~~holus-bolus~~ for whatever it may have been worth ? A--That is what the Hydro Commission is for; they are expert advisers in matters of this kind.

TO THE CHAIRMAN :

Q--But the liability rested on the Province ?

A--Quite so. I had confidence in the Hydro's valuation. If I took their figures and worked it out, I would be at sea. I had to take their final conclusions from their Chairman or their officials - Mr. Gaby or somebody who knows. I could not work it out.

TO COMMISSIONER J. A. ROSS :

Q--So the burden of the deal, as to whether it is a good buy or bad buy, is entirely on the Hydro ? A--Yes, it all turns on their recommendation.

TO COMMISSIONER HARRIS :

Q--The Government would not have purchased if it had not been for their recommendation ? A--No, we would not purchase any electrical equipment without the recommendation of the Commission.

TO THE CHAIRMAN :

Q--Why was it, Mr. Ferguson, that no progress was made after the purchase in turning the plants over to the municipalities ? A--I think it is provided in the





Statute - I am quite sure it is - that the Government would turn this plant over to any Commission or individual for operation, and subsequently, very shortly after the purchase, it was turned over to the Hydro for management, and they have been managing it ever since.

Q--Why did not they proceed to carry out your policy of turning it over and putting it on the same basis as the other Hydro system? A--I cannot tell you.

Q--You were in office three or four years after that?

A--Yes, three and a half years. I know that there were negotiations.

Q--How was it they were never consummated? A--I do not know.

Q--Did the Government urge the Hydro to take steps to carry out that policy or leave it entirely in their own hands?

A--The Hydro fully understood and sympathized with that idea. They had not any desire to operate gas plants or water works plants.

Q--Or local distributing plants? A--Yes. I have a recollection - perhaps I am wrong - that they did turn some of them over.

COMMISSIONER HANEY : The Water Works at Trenton.

WITNESS : At any rate, it was in pursuance of that policy.

COMMISSIONER HARRIS : I think you closed down one gas plant?

WITNESS : Quite so. A lot more should be closed down.

TO THE CHAIRMAN :

Q--They bought the pulp limit? A--Yes.

Q--That was providing the material for the mill? A--Yes, the pulp mill was no good unless you sold it as a going concern. And they bought the Township of Brunton.





Q--Paid \$200,000 for it ? A--I do not recollect the price.

THE CHAIRMAN : There is something Mr. Haney is going to speak to you about; you will be in town from time to time ? A--Yes, I will be glad to come if you ware me at any time if I am not here.

TO COMMISSIONER HARRIS :

Q--Were you in office when the bid was made for the pulp mill investment and the pulp mill limits ? A--If you tell me the date, I can tell you whether I was in office or not.

Q--The pulp mill and limits is shown to be \$509,000; it was said that an offer was made for the mill and limits of \$600,000 and was refused, notwithstanding the fact that the auditors advised the sale at that price. Do you know anything about that ? A--I think it was since the election. I may be wrong about it. Was it a Garrick arrangement ?

TO THE CHAIRMAN :

Q--There was a Garrick and Meigs ? A--Meigs is a New York firm ?

Q--Yes ? A--That was since we were out of office, because Gordon Waldron was his solicitor.

COMMISSIONER HANEY : It was while you were going out of office ? A--Transition stage. I do not know anything about it.

COMMISSIONER HARRIS : That was an opportunity to get rid of one of the dead horses.

THE CHAIRMAN : It was a very live horse at that time; it made a profit of \$200,000.

WITNESS : Pulp is like anything else; it is profitable this year and might not be next.

TO COMMISSIONER HARRIS :

Q--You would not think that is an investment the Government would want to own and operate ? A--No, it was not.



I do not think Hydro ever thought that. I do not know why they refused; I suppose they did not get a price that was satisfactory, or something like that.

Q--They were offered a price that was considerably in excess of the amount in the books? A--That might not be desirable.

Q--Did the question ever come to you of selling the pulp mill? A--No, it was a small mill; I think about a thirty ton mill.

TO THE CHAIRMAN :

Q--Did you ever have anything to do with running a flour mill? A--No, sir.

COMMISSIONER HARRIS : Do you think it is a good thing for the Government or the Hydro to run?

A--They may be able to run it efficiently.

THE CHAIRMAN : What about the gas plant?

A--There are other fellows that can run that as well as the Hydro.

TO COMMISSIONER HARRIS :

Q--Do you think the Hydro can run everything and anything?

A--I think the Hydro can run electrical enterprises.

Q--Would you stay right there? A--That is the ambit of their business.

Q--But when it comes to running a flour mill?

A--This was an extraordinary situation. If you take the attitude that the Hydro should at once scrap everything, I do not think that is good business. I suppose Hydro is carrying this thing on as best they can until they get a favourable opportunity to dispose of them, because eventually the municipalities will have to bear the cost of all these, and the more they can realize out of it the better.

COMMISSIONER HANTY : You mean they will if they care to? A--If it works out as it was intended originally.





TO COMMISSIONER HARRIS :

Q--That was a section of the country that other people had come in and expended their money in developing power and they were serving that whole section in quite a satisfactory way, I understand ? A--You are giving that evidence. That was not the evidence I had.

Q--It has been explained here this morning that the people in that section wanted to be in the same position as the people in other sections of the country, so the Government stepped in and purchased those companies' interests, and in doing that they did not give to the people in that section what other people have on the other systems. This was quite different to the Niagara System where all the municipalities and the people that are being served by the Niagara System are getting their power, and they are under an obligation and liability to repay the Government for that?

A--Yes.

Q--Down in this section the people are not under any liability whatever ? A--They will if it works out as the people desire it to work out eventually.

Q--The people themselves say they are willing to come into this thing if they can get these power plants at a proper price. They say it is altogether too high and they want the Government to make up the loss ? A--I do not know as to that, except what you say.

Q--These are the things that come to our attention. In the meantime under Hydro, they have done a certain number of things that will make it impossible to get all these municipalities in ? A--You are expressing that view; I do not know anything about it.

Q--The municipalities have said so ? A--I do not know about it.





TO COMMISSIONER J. A. ROSS :

Q--You do go so far as to say it is not rightly the function of the Power Commission to run pulp mills and water works and gas plants, except to the point of distributing these undesirables to the community to which they belong ? A--Disposing of them.

TO COMMISSIONER HARRIS :

Q--Supposing a big loss occurred and the Government has to pay that loss, in the disposition of these plants ?

A--You mean in the last analysis ?

Q--Yes ? A--If you cannot sell it out at cost, you either retain it and operate it or take the loss, that is obvious.

Q--It is the Government that has to assume and bear that loss when it does come ? A--If they do not dispose of it, surely.

TO COMMISSIONER J. A. ROSS :

Q--The loss in disposing of it is the Government's ?

A--Yes, if there is a loss. You are assuming it is going to be sold at a loss; I am not.

THE CHAIRMAN : We do not know but there is a possibility.

COMMISSIONER HARRIS : I am assuming if all the units in the Central Ontario System have to be sold, the whole thing will result in a loss ?

WITNESS : I do not know your ground for that assumption. I do not know anything about it.

THE CHAIRMAN : We have not reached that point yet.

-----Adjourned at 12.30 until 2.30 p.m.



RESUMED AT 2.30 p.m., NOVEMBER 21st, 1922.

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F. A. GABY.

TO THE CHAIRMAN :

Q--You were here this morning, do you recall a meeting that was held at the Parliament Buildings on the 4th of March regarding Central Ontario ? A--I do not know as to the date particularly but I do recall a meeting in the early part of the year 1916 with reference to Central Ontario, held at the Parliament Building.

Q--<sup>Who</sup> were present at that meeting ? A--That I could not tell you, who all were present.

Q--Whom do you remember ? A--I remember Sir Adam Beck and Mr. Ferguson and Mr. Lynch Staunton and as to the others I have only a faint recollection. I was not at the meeting all of the time, I was only called in and any information that was required was given and I was only there a few minutes.

Q--What was the meeting called for ? A--As I remember it was called to discuss certain negotiations that had taken place between Electric Power representatives and the Government.

Q--For what purpose ? A--Apparently to arrive at a purchase price for the Central Ontario System then operated by the Electric Power Company.

Q--What price was arrived at ? A--The figure I had in mind was \$8,350,000.

Q--and that was the amount agreed on at that conference ? A--That was the amount upon which Sir Adam Beck made his recommendations in a letter that he forwarded to the Government .

Q--That amount was arrived at at that time ? A--Yes.

Q--Was it changed in any way afterwards ? A--The only change that I know of at all is that as stated this morning.





The recommendation was for \$8,350,000 4% bonds for a 50 year period, at a latter date that was changed to a ten year period.

Q--At a latter date a change was made in that ?

A--When the actual agreement come to our attention ten years was in the agreement instead of 50 years as recommended in the letter written by Sir Adam Beck.

Q--Who made that change ? A--That I do not know.

Q--Was it on the recommendation of the Commission at that meeting ? A--Not to my knowledge.

Q--Had the Commission approved of it ? A--That I cannot say.

Q--Do you know whether they did or not ? A--I could not say definitely, I do not know that they did.

Q--Was there any discussion of it at the meeting of the Commission ? A--I believe there was but I am not really certain as to what was said or done.

Q--In the minute book of the Commission there is a loose leaf upon which it is written, "Draft copy of an Act to confirm an Agreement between the Electric Power Company and His Majesty the King was laid before Board and noted. It was decided that the Chairman be authorized to communicate with the Minister of Lands, Forests and Mines, calling his attention to the fact that the agreement forming the schedule to the Act confirming the same is not in accordance with the recommendation signed by the Chairman and confirmed at the meeting of the Commission held on the 4th of March inasmuch as the long term debentures have been changed from 50 years, with sinking fund deferred for ten years, to ten years" Is that substantially correct, is that what took place at the meeting ?

A--I could not say definitely but the matter was discussed.

Q--There is a minute which is not as full as that,

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"An Act to confirm an agreement between the Electric Power Company and His Majesty the King was laid before the Board and noted. The Commission noted that the time of the debentures had been changed from 50 years to ten years, which was not in accordance with the recommendation of the Commission" ? A--Yes.

Q--You recollect the matter being discussed at the time ?

A--Yes.

Q--From the discussion could you tell from your recollection whether the change was approved <sup>of</sup> by the Board or whether it was disapproved ? A--I do not think it was approved by the Board, at the same time the matter had been dealt with by the Government and I do not know whether they took any action on it or not.

Q--Can you tell us as nearly as you can what led up to this conference between the Government and the Commission leading to the purchase of the Central Ontario System, or perhaps you can go back and tell us how the Commission became first interested in that Central Ontario System ?

A--I have not refreshed my memory in connection with the matter by looking up the records but as I remember probably 1911 or '12 or '13 we had various representatives from the Municipality of Peterborough in reference to the taking over of its distribution system under the rights which they had with the Electric Power Company. Several conferences were held and on the request of the municipalities valuations were prepared of the Otonabee System and later on of the Electric Power System within the municipality. The matter was taken up with the Government as to their rights in connection with the franchise and legislation was enacted which enabled them to acquire the distribution system of Peterboro. At the same time the municipality was anxious to get power and have it developed on its own account in the same manner



as the municipalities on the Niagara System and made the application and requests for estimates for the development of power in the Trent District to reserve the Municipality of Peterboro which had in mind the Otonabee Power and other developments. The Commission had in mind Dams eight and nine.

Q--Where are they ? A--Below Ranney Falls, just below Campbellford.

Q--Have they ever been developed ? A--Not to this date; and they made application to the Government for Dams 8 and 9. As to what recommendations were made to the Commission as to what they should do in connection with the matter I do not know. I do know that shortly after these applications that arrangements were made in which the Commission commenced an inventory of the properties of the Electric Power Company for the purpose of a valuation of their property. This inventory was prepared and used as a guide in subsequent negotiations with the Electric Power Company for the purchase of their property. I believe the matter was dealt with by the Federal Government and certain representations were made by them as to what should be done in connection with the municipalities. In other words, their ideas were that there should not be power companies or corporations in this district competing with one another in the development and sale of power within the district and if at all possible we should get together with the electric power interests instead of the municipalities developing in the district.

Q--Why would it be more objectionable to have competing interest in that district than in any other districts ?

A--It is a small system and the powers were located over a considerable distance, small powers and connecting lines in between would make an absolute duplication of the





system and ultimately would have cost the power users in the district more money than if one company operated the whole Trent System. The operation of these plants being in series, to some extent, might be affected by the operation of outside bodies; you would not get the same close co-operation from individual parties operating separate developments.

Q--You were prepared to go in and you applied for the right to develop power ? A--The right to develop Dams 8 and 9 on the application of the Municipality of Peterboro. They had in the meantime obtained the necessary legislation and purchased their distribution system under arbitration and a temporary contract was entered into with the Electric Power Company to deliver power to that municipality.

Q--If the Government had given you the rights for which you applied for Dams 8 and 9 you would have proceeded to develop power there ? A--We would have, yes, if that condition had come about but we had also other representations from other municipalities in the district requesting information as to the cost of power and so forth. We had very active representations from the Municipality of Kingston for a supply of power.

Q--The Dominion Government controls the Trent? A--Yes.

Q--Taking the stand that they did not wish two different organizations to develop power there, you had to be governed by their desire? A--I would not say altogether governed by them but to some extent it was their suggestion that we should get together if at all possible.

Q--Didn't they go so far as to say we are unwilling to let you develop power here unless you buy out the interest of the company at present getting power from it ?





A--I personally do not know the details. Then succeeding the application for development we prepared valuations of the Electric Power Company's system, that is the physical valuations, I believe, were based on the year 1914. We did not prepare valuations of their intangible assets such as franchise rights and things which they owned such as undeveloped water powers for which they had paid a certain amount of money, no valuation was ever made of these intangible assets of the company. There were negotiations from time to time and conferences held with the company's officials and finally a single arbitrator was appointed to try and see if we could get together and have an arbitration as to the value of the property. I do not believe anything resulted from such conferences, the parties could not get together.

Q--You mean when Sir Henry Drayton came up ?

A--Sir Henry Drayton.

Q--Before that time what offers had you made to the Seymour interest for their property ?      A--I believe various offers.

Q--Sir Adam Beck states several times that a fair offer had been made to them ?      A--Yes.

Q--Have you these on record?      A--I do not believe so, we might have if I looked up the records, I do not remember what they were, I know that offers had been made from time to time in connection with it.

Q--Making an offer to a company for such a big undertaking would not you be likely to have some record of it ?

A--No, I do not think there was anything made in writing, it was just made at a conference. I do not think there was any written communication that I know of, there might be on the files, I have not investigated it.

Q--You would have a pretty good idea of the amount that



was offered at that time? A--I do not know, I think offers were made in that way from five million to six or seven million dollars, it all depends on the terms on which we would have to pay back that money as to what the value would be.

Q--Did you ever offer them as much as they finally received?

A--I do not think so; not as an offer of purchase.

Q--How far short of that did it fall? A--That I would not like to say.

Q--I cannot ask you to say any more than you recollect but I thought that would be fresh in your mind ?

A--The conditions would be entirely different, that purchase price was a different figure on the interest return, for instance, if we had at that time or at any time between 1914 and 16 offered them a certain price it may have been on a cash basis, that is we would have paid them so much and an interest rate of 5% or 5½% which would be a different proposition.

Q--That could easily be estimated, the difference would have to be considered on a cash basis? A--Yes.

Q--What I thought perhaps you could tell us was how near you came to them on a cash basis or how near you came on a basis of giving bonds ? A--That I would not like to say from recollection, I do not think it was a very great deal.

Q--There were several offers made ? A--Yes, there were a number of conferences held with the company's officials.

Q--Between the Commission and the Seymour interest ?

A--Yes.

Q--That was before the Dominion Government came into the negotiations or afterwards ? A--That I cannot say just exactly as to time, whether we commenced negotiations with the Electric Power Company before the Dominion Government made that reference to these powers.





Q--You had valuations made, too? A--Yes.

Q--Were these in your charge? A--Yes, these were valuations of the physical property only.

Q--What other assets had they? A--Franchises of undeveloped sites.

Q--Franchises from municipalities? A--From the different municipalities and different power developments and they also had certain lands, riparian rights.

Q--Do you mean franchises from the Dominion Government?

A--Franchises from the various companies which they purchased outright, such as the Seymour Power Company and other companies. They paid a certain amount to these companies for their franchise rights for the power development, or leases which they had from the Dominion Government.

Q--Did you look at the leases they had from the Dominion Government as a valuable asset? A--It all depends on the lease, some of these leases which they had were leases for \$1 per h.p., which, of course, would be a valuable asset.

Q--For what term? A--Some for perpetuity.

Q--Some at the will of the Government? A--No specified terms.

Q--Have you at present some that run in perpetuity at \$1 a year? A--I believe so, yes.

Q--Which are they? A--I think Fenelon Falls.

Q--That is a very small one? A--It is not a very large one.

Q--What other, if any? A--I do not remember at the moment, some of them are small amounts from \$1 a year up to \$2 per horsepower per annum based on the capacity of the development.

Q--Then the intangibles were made up of the franchises you had from the municipalities? A--Riparian rights of these municipalities and things of that kind.





MR. FERGUSON: Ask him if that covered the easements.

MR. GABY: It would cover also line rights for placing poles and structures, we have not placed any value on these; although they had a certain valuation but we did not prepare any valuation of them.

Q--Did you make up a list in detail of how these intangibles were valued? A--No, we just stated they had certain rates and they had certain franchises and documents and agreements and information as to what they really owned and controlled.

Q--Was there any real valuation of individual intangibles?

A--No.

Q--You just lumped it at so much? A--We did not even lump it, we did not even go that far. We simply prepared a valuation of the physical assets of the properties. We had, of course, the information of what the property was earning, its revenue and its operating expenses.

Q--Did you consider any franchises or any contracts which were not of a profitable character and make any deduction?

A--It was determined as to revenues.

Q--In determining as to the value of the undertaking?

A--No, we did not excepting in this price or offers that were made to the company, of course the whole proposition was considered as a going concern or as to its revenue bearing; but we did not place any individual values on any franchise rights or contracts or anything of that kind.

Q--If there were contracts of an unprofitable character which the company had to carry whether they wanted to or not to supply people with power did you consider this as a liability? A--We considered this in determining the value of the property as contracts were producing. If they were less than what it cost they were considered as revenue less the cost.



Q--If you had to take these over, you took over something which made a loss for years to come ?

A--That would be considered in arriving at the ultimate purchase price.

Q--If you had to take over something and run it at a loss for years it should be taken at less value?

A--Yes, but as an individual proposition there were others that were profitable and taking it as an individual proposition we had to consider the revenue that would come from the contracts.

Q--It had been a profitable undertaking ? A--No, it had not, it was just growing, it was a business in the making.

Q--Was it paying at that time ? A--It was not paying all its interest charges on the bonds.

Q--In 1914 and 16 I suppose you mean ? A--I should say it was paying its interest on the bonds at that time.

Q--At the time you took it over was it paying any more ?

A--I doubt if it was paying very little more.

Q--Was it in default at the time you took it over for interest on the bonds ? A--That I cannot say. I believe it was in a position of earning interest at the time we took it over. Previous to that it had not earned interest, that is in 1914 and '15.

Q--In 1914 and '15 you could hardly make a record for 1916, seeing that you took it over on the 10th of March ?

A--Yes, because conditions were different from what they were in 1914 and '15, the load had been increasing and their contracts and customers had been increasing.

Q--You were only two months off ? A--I was not referring to just the last few months.

Q--You took it over on the 10th of March and if it had not been paying on the 31st December the year before there





would hardly be any change in that short time ?

A--I was not speaking of just the exact month, I was speaking of the period 1914 previous to 1916. You would start off with a certain load in the beginning of 1914 and it was gradually increasing in value so that in 1915 you would have a certain maximum load which had been reached and the average over that period would be very much less.

Q--Have you a statement showing the increase in 1914 and '15 ?

A--Yes, we have. I know we have it up to the end of 1914 and it would be quite easy to complete it to 1915.

Q--Did you have your accountants go over the books of these different corporations that owned this property ? A--Yes.

Q--And report to you upon it ? A--Yes.

Q--Have you got their reports ? A--We have the reports up to the end of 1914 and they have been submitted to your Commission, showing the operating statement of the various parts of the system.

Q--Have you got 1915 too ? A--I am not sure about that, I think we have.

Q--Do you know what the deficit in operation was in 1913, '14 and '15 ? A--I know up to 1914, I think they were short something about a hundred and some thousand dollars in their interest account.

Q--In 1915 ? A--That I cannot say offhand, I do not just remember.

TO COMMISSIONER R. A. ROSS:

Q--That would be for the year ? A--For the year 1914.

THE CHAIRMAN: If at any time you would like to ask any question, Mr. Ferguson, don't hesitate to do so.

MR. FERGUSON: Thank you.

Q--Do you know how long the bonds had been in default ?

A--I do not know that they had been in default.

Q--We would like to have these reports ? A--I gave a





summary of our valuation to Price Waterhouse in which all these different statements were made up to the end of 1914. Here are the load curves for the different systems and also the operating statements right up to the end of 1914. I think they cover from 1912 to '14, showing the operating statement of the Electric Power Company's property and also individual companies, they are all set out in that statement. 1915 I think we had in a supplementary statement.

Q--We would like to have them ? A--You have them, Price Waterhouse has had these, it is dated February 15th, 1915.

Q--Do you mind leaving this with us ? A--You have had it but we can let you have it.

Q--Have you the records of these companies ? A--Yes, the records are here.

Q--Their account books and their statements ?

A--I do not think we have their account books.

Q--You operate them still as separate organizations ?

A--No, sir, because we bought the assets, we did not buy the companies and there was no bonded indebtedness outstanding. We took them over and we are operating them as a unit.

Q--I was under the impression that you were operating them as different units? A--No, the only thing we have done in the operation of these properties is to separate them out in units the same as we would in the Niagara System. We have tried to put them in the same position as the municipalities in the Niagara System and to work these things out as quickly as we can. They are not separate entities or companies like the Seymour Power Company or the Otonabee Power Company or any of these other companies, these are all obliterated and we are simply operating as a power transmission and generating system. Of course the gas plants



and so forth in the various municipalities are operated but we do not operate any flour mill.

Q--You sold the flour mill? A--We simply took over a building with some old flour machinery in it, it was sold.

Q--You did not run it? A--No, it was not in running condition when we took it over.

Q--You own it still? A--No, it was sold almost immediately after taking over the property so that we do not own a flour mill. It was an old stone building with a lot of mill machinery, or parts of mill machinery and it was sold as soon as we could dispose of it at a price which the Commission thought was a reasonable price and we would like to get rid of these other properties as quickly as we possibly can, these gas plants.

Q--You are operating the pulp mill? A--The pulp mill is being operated at the present time.

Q--Is that for sale? A--It has been for sale for a number of years.

Q--And the limit? A--Yes.

Q--Why didn't you sell it when you had a chance?

A--I think there were probably legal difficulties at the time. We had the matter disposed of as far as the limit was concerned but on investigation we found there was also another offer, there were two offers apparently on the proposition.

Q--Were you embarrassed with a number of offers?

A--Offers or agreements, they claimed they were agreements, I don't know whether they were or not.

MR. FERGUSON: Who dealt with these two offers, the Commission or the Government?

MR. GABY: At first the Commission dealt with it and then the matter was turned over to the Government and was dealt with by the Government, they were both refused.





TO THE CHAIRMAN:

Q--You spoke of not getting the books of these different companies, did you get the books of the Electric Power Company? A--No, I do not think so.

MR. FERGUSON: We did not get any books at all, we did not buy the books, we just bought the physical assets, we did not buy the companies' stock at all.

MR. GABY: We just got such records as were necessary to continue the business.

TO THE CHAIRMAN:

Q--Who made the valuation? A--Various engineers, depending on which Department it was, Hydraulic Department it would be certain engineers, and the Electric Department other engineers and then they were all put together.

Q--You made a final report on it? A--I allocated certain engineers to consolidate them and then made the final report to the Commission.

Q--What understanding, if any, was there that this Central Ontario System should later on be operated as part of the general Hydro System instead of by you as representatives of the Provincial Government?

A -- Answering the first part, as part of the system it was the intention as I understand it at the time these properties were taken over that this system in the meantime should be operated as a unit until such time as we could arrange the operation of this system by placing rates so that they would be self-supporting and reasonably could be disposed of, the gas and other properties that are foreign to electric generation. We took it over on that understanding, that was my understanding, that we were to try and work it and change the rates and conditions so that we could at some time arrange for the disposal of the distribution systems to the municipalities. Gas plants and waterworks





systems and electric railway systems could be disposed of to the various municipalities interested, retaining the power system in the same manner and operating it as we do other systems that are operated by the Commission, that is they are operated for and on behalf of the municipalities in that district. It included also the Nipissing plant which, of course, was a separate system and would be operated as a separate system for the municipalities interested in that district. We have carried that on, we have changed the rates wherever there was no outstanding contract and we have carried on contracts that were in existence. Where there were no contracts we have tried to put them on a self-supporting basis in each municipality, that includes the gas and waterworks systems and today these plants are becoming on what we deem a satisfactory financial operating basis.

Q--You are speaking of the gas plants and the waterworks ?

A--Yes, and I think we probably might, I do not know whether it is very much more difficult with a small electric railway but that has been improved considerably.

Q--What progress has been made in making over any of the local distribution systems or other parts of the system to the municipalities ? A--We have felt that up till about the present time these systems were not in a satisfactory condition, because we wanted to get our gas plants operating without deficits and we are very near that position today, two out of the three gas plants are taking care of all charges, including interest and the waterworks systems are self-supporting, so that we have really got these in a position that they could be at any time, - at the values put on them, - turned over to the municipalities as a separate property.

TO COMMISSIONER J. A. ROSS:

Q--You found them in a very much run down condition ?



A--In a very bad condition and very inefficient plants. In some cases we have had to remodel practically the whole plant and when we remodelled them and put them in a more efficient condition the expenditure has been justified. The plant at Peterboro has been enlarged and improved and Oshawa has also been improved.

TO MR. FERGUSON:

Q--What about the electrical side? A--That is a paying proposition today, pays interest and has set aside a very large depreciation reserve on all electric properties.

TO THE CHAIRMAN:

Q--Have you any prospect of disposing of any of these parts of the system to the municipalities ?

A--I think we could dispose of all the gas plants and the water plants by proper representation; but I do not think that we were really in a position to do it until probably this year, in view of the improvements that we had to make to them and in order to improve the operating conditions in the various plants.

Q--I have in mind particularly the electrical system?

A--Why, they are just about in a position to be turned over to the municipalities.

Q--That is your object? A--Yes, that was the object in readjusting the rates to get them on a basis when they would become profitable operating propositions.

Q--Do you expect to be able to dispose of them to the municipalities so that the Government may get rid of the plants without loss? A--That would be a proposition for the Commission, I should say that would be the object, turning these over to the municipalities.

Q--Do you think there is a reasonable chance that you will be able to do so? A--As to the electric proposition there is no doubt about it because there is a surplus today





on all these plants even with the contracts that you say are being supplied at a loss, that is because we had to take over these contracts with the property.

Q--You anticipate the Government will not be a loser by buying the whole system and turning it over to the municipalities? A--Not at all.

Q--Have any negotiations taken place with any municipalities having that object in view?

A--We have <sup>had</sup> no authority to take any step in that direction.

Q--I thought there was something in the original Act?

A--No, I think we have to have an order in council in order to dispose of the properties. I am speaking now of the electrical properties. We have as far as the pulp mill is concerned and we are endeavouring to dispose of that as soon as possible.

Q--Have you asked for an Order in Council to enable you to dispose of any of the systems? A--The Trenton Waterworks System.

Q--For any you have not yet disposed of? A--I do not recall any at this moment.

Q--An Order in Council was passed authorizing you to dispose of that Trent System? A--Yes.

Q--Have you made application for any other Orders in Council? A--The only thing to my recollection is this: On the representation of the municipalities one or two years ago the matter was brought to the attention of the Government in order to obtain the necessary legislation so that the Commission would be empowered to transfer these properties to the municipalities on the same basis as the Niagara System or any other system of the Commission and as I remember the Government stated it was not necessary to have the legislation that they had sufficient powers in the original Act to enable them by Order in Council to authorize





the Commission to dispose of these plants to the municipalities.

Q-- No Order in Council has been refused ? A--Not that I remember, no definite Order in Council, it was a general proposition.

Q--I think you are right, that you do not need legislation?

A--That was the decision of the Government, I understand.

Q--You have not created any sinking fund ?

A--Under the Act and under our authority we have no authority to create a sinking fund for the first ten years.

Q--Was not it optional with you that you could or not create a sinking fund ? A--If they had the money necessary I should say it would not be necessary, it would not be required.

Q--It is not obligatory on you ? A--No.

Q--I suppose it is optional with you if you have the money to create a sinking fund and if you did so you would not be doing an illegal act? A--No, the Commission can use any surplus funds they had, the funds remain there just the same.

Q--You have already created a sinking fund ?

A--We have in the case of the pulp mill and for the limits we have set up a sinking fund and the rural lines after five years.

Q--You say if you had had the money you might have done that. How does it stand now, have you made or lost money on the whole operation since you took it over?

A--As a business undertaking we have made money on the whole undertaking up to date. By that I mean that we have set aside over and above interest and sinking fund, over a million dollars in reserve for renewals.

Q--Does the balance sheet show you have been operating at a profit or a loss ? A--I see we only have the operating statement for the year ending October 31st, 1922, and not the



balance sheet. On the electric properties, gas plant, water works and so forth that shows an operating surplus. It shows a net surplus on the pulp mill.

Q--The pulp mill carried you through one year ?

A--In one year.

Q--It made \$200,000 one year? A--In the year 1921.

Q--I am speaking of the total of your whole operations?

A--I do not think we have the balance sheet up to date.

Q--This statement shows a deficit for the year and eight months ending October 31st, 1917, of \$77,549.66 and for the year ending 31st of October, 1918, \$15,222.47 and for the year ending 31st of October, 1919, \$188,451.74 and for the year ending 31st of October, 1920, a surplus of \$154,967.75 and a deficit for the year ending 31st of October, 1921, of \$42,674.03 and at the end of October, 1922, a deficit of \$38,237.83, or a total net deficit of \$207,167.98 ?

A--That is a deficit after you had arbitrarily set up a certain renewal reserve. Now, I believe, that renewal reserve is entirely too high for the properties under consideration, it must be between one million and a quarter and a million and a half dollars.

TO COMMISSIONER HANEY:

Q--What has been done with it ? A--Well, it has either been used in renewal of properties or it has been partly in renewal of properties and in extension of the system. In other words, we have not asked the Government for moneys necessary for the extending of the system but have used the renewal reserve for that purpose.

TO THE CHAIRMAN:

Q--You have received a lot of money from the Government?

A--Yes, we have received considerable money from the Government for extensions but it made that money that much less, if we had not had that money we would have had





to ask the Government for additional money.

Q--A very proper thing to set aside something for renewals, it may be a generous amount ?

A--I believe it has been generous.

Q--It might turn out that some of your machinery is obsolescent and you would have to replace it and your renewals would not be available for that ?

A--Yes, they would be.

(Page 1327 follows)





Q. There may be some old machinery in some of these plants? A. Yes.

Q. On the other hand you have not set up any sinking fund, you have been relieved of that. If you had set up a sinking fund that would increase the deficits that appear on the statement? A. The business has been increasing from year to year, the load has been increasing and our revenues have been increasing and in building up a business of this kind it is reasonable to expect that you would have to pay out money in the first two or three years.

Q. It may be quite reasonable to postpone it but how are you going to meet that? A. As a matter of mathematics your statement is correct.

Q. You have to pay off these bonds in ten years?

A. No, not necessarily, they are due in ten years but you could refund them.

Q. How do you propose to deal with them? A. I should say the proper manner of dealing with these would be that the assets are valued at a very great deal more than the amount of the outstanding debentures. If the property still remains in the hands of the Government they could issue the necessary bonds or the Commission could issue them or whatever is determined to be wise by the Government could be done and the outstanding bonds could be refunded by an issue of other bonds.

Q. Do you expect to be able to issue new bonds at 4½?

A. I cannot tell. Conditions change very materially in the market.

Q. You might have to pay 5 or 5½? A. I hope not, I think things are getting better and easier.

Q. There is no doubt there is a downward tendency?

A. Yes.



TO COMMISSIONER R.A.ROSS:

Q. Who would the sinking fund go to under the present system? A. The Government.

Q. The Government would be obtaining a revenue for its power from the power users? A. Yes, and it would be included in the sinking fund reserve if you start that. It is doubtful even if this reserve does not belong to the Government or part of it at any rate in view of the operation of the Commission as manager for the Government.

Q. Supposing the property were split up today between the municipalities, the Government would be credited with say, \$1,250,000? A. Yes.

Q. And you have to offset that, a deficit of \$270,000 which would give them a clean slate of a million dollars out of profits, that is, if the system was split up today? A. That is, if it were sold in that way and split on that basis.

THE CHAIRMAN: On the other hand some of the machinery might have so depreciated that it might have to be written down.

TO COMMISSIONER R.A.ROSS:

Q. I understand you have kept the machinery up, apart from obsolescence? A. It is in excellent operating condition.

Q. As a matter of fact to operate any plant you must keep it in such condition that it will operate to 75% of its value? A. Yes, more than that in many cases. A large percentage of the cost of power of the systems is permanent work that has really an indefinite life, 100 years or more, concrete structures. Take the Queenston-Chippawa Development, over 80% of that is in permanent works, excavations and things of that kind





that is really not depreciable and the same thing obtains in Central Ontario. ~~The~~ tail race excavations which are most expensive and concrete foundations which are as solid as the rock upon which they are placed, they are not depreciable as far as that plant is concerned. The depreciable plant is usually a small part of the total cost of the development.

TO THE CHAIRMAN:

Q. Of course there is no doubt as to certain parts of the plant, it is hard for anyone to see how they would depreciate in 20, 30 or even 50 years? A. Yes, and yet in setting up this depreciation rate we allow for the life of such things.

Q. You have some things that are subject to much greater than the average depreciation; take the pulp wood limit, that must depreciate as you cut the pulp wood off it?

A. Appreciate, not depreciate, you get revenue from your depreciation; you allow for that, you take away from the assets and get revenue from the pulp limit and it is appreciating owing to the fact that the trees are still growing on that property and increasing in size, it is not a depreciating property to the extent that one would think in view of the appreciation that is always taking place.

Q. It is depreciating to some extent? A. No, because it is also appreciating in view of the value of pulp wood.

Q. I think the growth has not kept pace with what you have taken off? A. We have taken very little off, as a matter of fact the estimates of the survey parties place it at a great deal more timber than we estimated at the time we purchased.

TO MR. FERGUSON:

Q. What is the capacity of the mill? A. 33 tons per day, we call it a 30 ton mill.





TO THE CHAIRMAN:

Q. The street railway has depreciated? A. It is still being maintained, you cannot get below a certain depreciation on these properties because they are operating properties and kept to a certain value, below which you cannot go; because you have to maintain these properties at a certain percentage for the purpose of operating and we have to charge that in the cost of operation. The operation is not as profitable and undertaking as one would like but we have asked for the right to operate one-man cars there, which will considerably reduce the operating cost.

TO COMMISSIONER K.A.ROSS:

Q. With regard to the pulp wood do you charge depreciation on the pulp wood you send to the mill? A. Yes, we do.

Q. So that your depreciation is taken care of in that way? A. Yes.

Q. So that you are covered in both ways? A. For wood taken off we charge that wood just the same as if we bought the wood, the same as they do in a coal mine.

TO COMMISSIONER J.A.ROSS:

Q. Do I understand you to say that you have about a million dollars in renewal fund, or in other words about that amount invested in working assets or capital account? A. Yes.

Q. Is none of that liquid? A. Of course we have certain working capital there, I do not know what that is at the present time, it would account for some of that. You might say some of that depreciation reserve has been put into that.

Q. Have you as big a proportion in the Central Ontario System in liquids as you have in your other systems?



A. Yes, the same principle has been adopted in that system as in other systems in setting aside reserves. As to what policy will be adopted in the future I cannot say, whether they will use this in the purchase of liquid assets such as bonds, I cannot say.

TO COMMISSIONER HARRIS:

Q. Do I understand you to say you have used some of the renewal fund reserve for the purpose of extensions?

A. Yes, instead of asking the Government for money for which it would have to issue bonds, we have used the money in our possession to extend the system.

TO COMMISSIONER HANEY:

Q. Which would be really capital expenditure? A. Yes, and would have been charged to capital. In other words our actual value in the system is greater than the actual amount of money that is standing against it.

Q. You are quite sure of that? A. I am quite sure, yes; there is a considerable amount of money that has been used for that purpose.

TO THE CHAIRMAN:

Q. In addition to the amount paid, \$8,350,000, for these properties, since they were taken over the Government has advanced an additional amount of \$3,819,664? A. Yes, we have a plant at Ranney Falls costing us probably a million to a million and a quarter and we have extended the Healy Falls Plant by adding machinery. We have built transmission lines and we have built distribution systems, we have added 15 or 20 municipalities to that system and that all required expenditure of capital, and in addition there has been generating plants and transmission lines and the extension of distribution systems for adding new customers and getting additional business, that has all been taken care of.





Q. It would look to me from the statement that we have here that any extensions of that kind or any capital expenditure must have all gone out of money that came to you from the Government since taking over the plant?

A. How do you get that?

Q. From these figures? A. How do you arrive at it?

Q. This money must have been spent on capital account?

A. Certain amounts have been spent on capital account but I think you will find the amount of money we have received from the Government is not equal to the actual investment in our property.

Q. I think that is right.

THE CHAIRMAN: Yes, that is quite right.

TO COMMISSIONER HARRIS:

Q. This statement that we have here of money received from the Government shows that on each individual plant there has been expenditures made from the monies so received? A. That is an appropriation, that has only been in force in the last two years, previous to that time there was no accounting of the appropriations to the extent that they are at the present time as individual items of expenditure to individual parts of the plant.

Q. A great deal of the money you received from the Government has been spent on capital expenditure on each individual plant? A. Yes, because we have probably a million and a quarter or a million and a half of reserve which has gone into the plant and we have probably obtained from the Government three million dollars for the plant as well.

TO COMMISSIONER R.A. ROSS:

Q. In other words if you were a private company that would be what they call hidden profits put into capital account out of earnings? A. Yes.



Q. You have a certain amount of reserve that you have to use in connection with renewal of transmission lines?

A. Yes, that has already been wiped out, we had to renew certain transmission lines and that was charged directly against renewals. I remember one item of \$93,000, the reserve that is set up in the books today is an actual reserve, the charges have already been taken out of it.

TO THE CHAIRMAN:

Q. Reserve for renewals, \$1044,000; sinking fund, \$28,000; contingencies, \$7,000; that is up to the end of 1921?

A. Yes.

TO COMMISSIONER HANEY:

Q. There is some confusion in the fact that you received for the Central Ontario System a certain amount of money which you did not use on that system but diverted to some other system? A. That was rectified later.

Q. There is some confusion in the figures? A. There was.

Q. The total amount advanced to the system includes about \$1,700,000 that was diverted by the Commission to some other system and subsequently paid back to the Government?

A. Yes, subsequently paid back.

Q. It was not paid back to the system? A. No, paid back to the Government, \$1, 719,000.

Q. Did you get authority from the Government to make that diversion? A. Well, in the first place we used to get an appropriation of a lump sum.

Q. That was evidently appropriated for the Central Ontario system and was diverted by the Commission and I am asking you if you got authority for that diversion from the Government or if you had power in the Act to make that diversion without asking for authority? A. We got authority from the Legislature for advances in connection with the Central Ontario System and that was advanced to





the Commission and the Commission used it as part of their general funds and did use it on their other system.

Q. It was appropriated especially to the Central Ontario System? A. Yes, specially.

Q. Then it was diverted, as I understand it, to some other system? A. Yes.

Q. Had you authority from the Government to do that or had you power to do it without asking the Government for authority? A. I think we thought we had power to do it.

Q. You did it anyway? A. Yes, as to any special instructions, I do not know.

TO THE CHAIRMAN:

Q. You do not know of any authority? A. Special authority.

TO COMMISSIONER HANEY:

Q. That comes up quite frequently in going over those figures? A. In the first place our appropriations from the Government used to come to the Commission in a lump sum, not earmarked in any way.

TO THE CHAIRMAN:

Q. This was specially earmarked for the Central Ontario System. You said you had no special authority to make the transfer, did you have any general authority to make the transfer? A. That I would not say, I would like to leave that to the legal men.

Q. That would not be in your Department? A. No.

TO COMMISSIONER HARRIS:

Q. A certain amount of money was appropriated for the specific use of this property that belonged to the Ontario Government?

COMMISSIONER HANEY: Yes, and I wanted to know by what authority it was diverted from the Government venture to the Hydro venture and apparently the Commission had no special authority and Mr. Gaby is in doubt as to whether they



had general authority to do it.

TO COMMISSIONER R.A.ROSS:

Q. Did the Hydro municipalities pay interest on that money that was diverted from the Central Ontario System?

A. Yes, it was properly accounted for in every way, the matter was properly account for. If the money had not been earmarked for the Central Ontario System there should have been a book transfer. As far as the actual money is concerned there would be no difference, it might be earmarked for Chippawa or some other development, it was properly accounted for and all charges paid on it.

COMMISSIONER HANEY: There is no question about that.

TO COMMISSIONER R.A.ROSS:

Q. If at that time the Central Ontario System had not been operating on a different basis from the rest of your property that would not have been earmarked? A. I think that is probably right, it was only in 1920 when the new legislation was passed in which we tried to earmark each specific appropriation, before that we had used appropriations as they came on from the Legislature.

TO COMMISSIONER HANEY:

Q. Would you notify the Government of such diversion?

A. It was completely taken care of in the statement rendered the Government.

Q. Don't get away from the point, would you notify the Government of such diversion? A. They were notified of what had been done by the Commission, a statement was rendered to them in detail.

Q. At the end of the year? A. From time to time we have requests under certain authority.

Q. You mentioned Mr.Gaby the fact that you had representations from the various municipalities in





connection with the undertaking, were these presented in writing? A. Some of them were.

Q. Could we have these? A. Whatever we have got.

Q. I would like to see all that you have, whether by conversation or in writing? A. In many cases they were by conversation, deputations would come to the Commission's office and certain conferences would be held.

Q. Would there be any record of that on the minutes?

A. I doubt whether there would be a record of every deputation that came to us.

Q. You will furnish any written representations that have been made by the various municipalities? A. I will try and get that for you.

TO THE CHAIRMAN:

Q. At what period would a private company establish a sinking fund in connection with a plant such as you have in Central Ontario? A. As a rule they do not establish it unless they have monies for it or the mortgage requires them to do so.

Q. The mortgage usually does require it? A. Not always.

Q. It is becoming almost the general practice to do that in bond mortgages? A. In very few cases do they provide for the whole sinking fund, it is usually the custom to allow for refunding at the end of the period, that seems to be the general rule from my knowledge. They do not provide for the whole sinking fund within the period of the redemption of the bonds.

TO COMMISSIONER HARRIS:

Q. Today you could not sell bonds unless you did provide for a sinking fund? A. They only provide a very small renewal fund or depreciation fund.

Q. They would not go beyond 50 years in providing for it?

A. I should say yes, bonds run as high as 100 years.



Q. Not for a plant like this? A. I do not know about that, I should say we could get bonds for 100 years on a plant like this.

Q. If you did not have a sinking fund your capital would increase all the time, you have added <sup>a</sup> great deal of capital to it? A. As you extend and get revenue producing properties why should not the capital remain the same for all time, provided you put in an adequate renewal fund and maintain your property? They are, at the present time, creating a sinking fund which will redeem debentures on that plant, that is the act and requirements under which these municipalities are operated.

Q. That would be one reason for establishing a sinking fund? A. That should be taken care of in your renewals, as far as the renewal of property is concerned.

TO COMMISSIONER R.A. ROES:

Q. Is not it your experience that companies do not usually establish a sinking fund but they take a year when they have big profits and a surplus and put any surplus away and these surpluses are invested in the same way you are investing your surplus in extensions? A. Or in betterments.

Q. They are better there than if put in trust funds drawing interest? A. For instance, as far as the municipality operating a system is concerned, it would be absurd for the municipality to borrow hundreds of thousands of dollars at 6% and set up their own reserve at 4%.

Q. You think they should reinvest their renewal fund?

A. Yes, and you very seldom find a company setting up a deficit because they did set up an arbitrary depreciation fund or sinking fund.

Q. They might have to, if it is in the mortgage?

A. It is very seldom that you will find a mortgage providing for renewal, they do that because sometimes





companies have been improvident and have not set up a reserve and their book value has been increasing without any physical property behind such increase and that is the reason the financiers and investors have been trying to protect themselves by asking that they shall set up a sinking fund in the same manner as municipalities set up serial debentures today that they pay off by annual instalments. They do not set up a depreciation fund, they refund at the end of that period.

TO COMMISSIONER J.A.ROSS:

Q. You are now speaking of the Central Ontario System as of today? A. Yes, I am speaking generally.

Q. If it came under the Ontario Power Commission or the Ontario Power Act then you would establish a sinking fund in the regular way? A. Yes, when the time comes.

Q. To what extent have the municipalities started to buy the plants up themselves? A. Even if we did not take it over as a municipal undertaking I should say that as soon as the time comes, that is even under Government operation, it will set up a sinking fund the same as they would under municipal management, the only difference would be that in the case of the Government operation, the property would still remain in the Government and in the other case it would belong to the municipalities.

Q. Are any of the municipalities in the Central Ontario System under contract such as you have with the Hydro Electric System? A. Yes.

Q. Which ones are they? A. Ten of them, there may be fifteen, I do not just remember the number, I think it is fifteen.

Q. They are required to pay a sinking fund? A. Within a five year period on the monies required to extend the systems.



TO COMMISSIONER R.A.ROSS:

Q. Has it started yet? A. Some of them have.

TO COMMISSIONER HARRIS:

Q. What are you going to do with these municipalities, what is going to happen to them? A. I presume it was the Government's intention and the Commission's intention to have these municipalities come in the system the same as other municipalities that were put on the scheme in the beginning, that is a municipal ownership proposition of the physical properties necessary to serve them.

Q. Is there any possible chance of those municipalities that are doing that becoming the owner of their share in this whole property? A. I do not know, it is becoming a very complicated problem. Some of them are presumably owners in part of the system in which they are interested and others are not owners in parts of the system.

Q. I do not see how you are going to treat them and get away from that situation? A. If they all become owners then you can.

Q. If they do not are these people going to get anything for that sinking fund they are setting up? A. I should say so, that is a matter of policy. At the end of the period whatever it is, when the adjustments take place it is provided in the agreement that there shall be some adjustment.

Q. It provides that they have to set up a sinking fund but I do not see anything in the agreement that there shall be any adjustment? A. I think you will find that the last part of the agreement, if they hold a mortgage on the property, that there have to be adjustments at the termination of the contract.

Q. It has been stated so many times by Hydro that you cannot make fish of one and flesh of another? A. Well, Mr. Harris,





that is not the fault of Hydro, this is a case of evolution, as soon as these properties are in such shape, speaking personally, it would be Hydro's recommendation to put them on the same basis and I do not see any difficulty in doing so.

Q. You cannot force them to go on the same basis? A. Well, if these municipalities do not go on the same basis and continue to be customers of the proposition then they will continue to pay whatever the municipalities and the Commission state is their rate, it may be cost or more than cost. It is the same condition as Hamilton or Brantford in which they desire to come in as partners. In the beginning Hamilton came in as a customer of the other municipalities and only had to pay \$17.92 per h.p. and no chance to change the partnership arrangement, they found that was not a very satisfactory arrangement and voted a second time to become partners and then their rate was reduced to \$14 and varied in accordance with the cost.

Q. You were not under contract to furnish Hamilton with power at a specifically stated period? A. We were, that was the first bylaw that was submitted to Hamilton and a second bylaw was submitted to Hamilton in which they decided to become a partner.

Q. That was the case at the beginning? A. No, they were customers of the other municipalities. The Commission can enter into contracts with municipalities or other private people to sell power at cost or at a profit.

Q. You mean to say Hamilton was the same as Kingston?

A. Yes, at the beginning.

Q. Kingston has a contract by which they are supplied with power at a fixed price? A. Yes.

Q. 1,200 h.p. for \$25.28 per h.p.? A. Yes.

Q. If they take 4,000 h.p. they get it for \$24 per h.p.?

A. Yes.



Q. They have a fixed contract to have that power delivered to them at that price for 20 years? A. Yes.

Q. What advantage would Kingston get by going in the other way? A. It might not enter into it but the other municipalities may.

Q. Would other municipalities go in when they would have to pay more than Kingston? A. I do not know, they might pay less than Kingston.

Q. They are paying a great deal more now? A. No, they are not; Peterboro only pays \$24.50 against Kingston's \$28.

Q. How much power is Kingston taking? A. Just the same.

Q. Peterboro is taking more power than Kingston? A. It is taking more power than Kingston.

Q. Yet Belleville is paying \$36? A. No, I do not know that you have any statement of what Belleville is paying.

Q. That is a statement made to us down there? A. Upon an individual consumer basis but the rates to Belleville are not based on any \$38 price or anything like that.

MR.FERGUSON: Kingston is paying more than they would pay if you increased the load on the whole system you will get to the point where Kingston will pay higher than the others.

COMMISSIONER HARRIS: Kingston has a fixed contract.

MR.FERGUSON: You are asking how you are going to induce them to come in if you get a heavier load on the system <sup>they</sup> will want to come in.

MR.GABY: That may be the case with Kingston.

TO COMMISSIONER HARRIS:

Q. There seems to be so many different kinds of contracts. For instance, Kingston has a fixed rate and if they take a certain amount of horsepower they will get that rate reduced to \$24. You have no sinking fund with Port Hope?

A. Port Hope has no contract, it is simply operating the





distribution system in the same manner as we are operating the transmission line and generating station, it is simply a municipality whose distribution system we operate.

Q. Port Hope apparently has a contract? A. No, they have an electric power system but we are operating that distribution system in the same manner as we do Oshawa or Bowmanville.

Q. Port Hope has a contract whereby the maximum charge to them cannot be more than \$25? A. That is not a contract, that is a franchise agreement.

Q. That was made with the old company? A. Yes.

Q. That is what you had to take over? A. We did, as a matter of fact they may be getting their rates at less than it is operated, as far as we are concerned, as a distributing system. Kingston owns the distributing system and we operate it on behalf of the Government.

Q. You just deliver at the gates of Kingston? A. Yes, we have a distribution system in Port Hope.

Q. Kingston has a good contract and they do not want it changed? A. That may be so.

Q. The Canadian Cement contract was made with the Electric Power Commission? A. Yes, sir.

Q. They have provision for an enforceable contract? A. They may, I do not know what provision they have in it. An enforceable contract means they can be brought into court, we can be brought into court too.

Q. East Whitby has a contract, is there a sinking fund? A. That is a rural contract.

Q. You have a pretty free hand in connection with the property owned by the Government in comparison to what you have with other properties? A. These were all approved by order in council. It was a matter for the Government. We have not any more free hand, except that we have been



appointed manager of that property and we are operating it in the interest of the Government and the arrangement was that we were to put it in a position that it could be taken over by the municipalities at a future date.

TO COMMISSIONER HANEY:

Q. How would a flat rate work out on that system?

A. I do not think it would work at all. I think you would have discrimination. I do not think Peterboro would want to pay more for power so as to enable somebody else at the end of the line to get power at a cheaper rate.

Q. Would you have any more discrimination than you have now?

A. Yes, sir.

COMMISSIONER HARRIS: Don't you think that would be a good place to try out the flat rate scheme? A. No, I do not think it would.

Q. I would like to see it tried out somewhere? A. You do not need to try it out, you can almost calculate it.

Q. Calculations don't pay out sometimes? A. You have the facts there before you and you have all the details and data to work on and it is simply a matter of calculation.

Q. If it would be a good thing there it would be a good thing all over? A. Yes, but I do not think it is a good thing.

TO THE CHAIRMAN:

Q. Do you always go to the Government and have them approve of each agreement? A. Yes, they approve of agreements between municipalities.

Q. I suppose that is largely a matter of form? A. We make recommendations, we pass on it and it goes into the estimates. We have to take into consideration certain things, load conditions and so forth, we may not the first year but we usually do in the ensuing year.

Q. Is there any provision in the Act regarding Central





Ontario for giving these municipalities that are paying you cost, an interest in the property at a certain time?

A. No, I do not believe so.

Q. Should not that be cleared up and their rights defined?

A. I think the whole thing should be cleared up.

Q. These municipalities understand that at a certain time they are to become owners to a certain extent of the plant? A. Exactly.

Q. They have not got any guarantee whatever, should not they be put in a position so that their part ownership will be assured them when their money is paid? A. I think that would be reasonable.

Q. Have you suggested the desirability of enacting legislation that will protect them? A. I do not know that the Commission has, but the matter has been discussed with the Government of putting them all on the same basis.

Q. I am thinking of those that are already on the power at cost system? A. It would not be necessary to take care of those individuals if you are going to take care of them all. The municipalities have been requesting that and the matter has been discussed with the Government and they are of the opinion that it is only a matter of an order in council whenever the time arrives.

Q. Then the municipalities that have fixed contracts for a term of years might not come in? A. They would if the arrangement is defined.

Q. If their contracts were terminated they might? A. In the meantime it was just left in abeyance until such time as the whole questions was settled. It would not be necessary to deal with individuals if the whole question is going to be settled within a year or two.

Q. There is no assurance that you are going to do that?



A...The municipalities have indicated their wishes in many ways.

Q...When they were here they did not say anything about that? A. I do not know. My recollection of the hearing the other day was that that was the general feeling amongst the men that were heard, they were a committee appointed by a number of the municipalities and I gathered from the meeting that they were suggesting that they be enabled as soon as conditions were proper and as soon as we got rid of some of these gas plants that they could take over the system and operate them in the same manner as other systems are operated.

Q. I gathered from what they said that it depended on whether it would be possible for them to do that? A. One individual said that in other words they were not agreeable to take over something that was not profitable but you will remember that the proposition is a cost one as far as that is concerned, and there is no profits as far as the operation of the properties which they propose to take over and today they show a profit except in the pulp mill.

TO COMMISSIONER R.A.ROSS:

Q. This child of questionable parentage was left on your door-step and you found it diseased and had to put it in the hospital and it is in the hospital today and you cannot turn it loose among the clean children until you have got it fixed up and put in good shape? A. That is it.

TO THE CHAIRMAN:

Q. I think you have some responsibility for the parentage?

A. That may be so, but we are not sorry for it.

Q. No, you may be proud of it? A. Yes.

TO COMMISSIONER R.A.ROSS:

Q. I would like to know about what you paid for this child. You paid \$8,350,000 for it? A. Yes, in 4% bonds.





Q. Your estimate was \$4,400,000 in 1914, did that include any value for franchise rights, no value for tangibles and no value for lands?

TO COMMISSIONER HANEY:

Q. Are you sure about that? A. I am sure that it did not, it may have included some of them but it did not include them all.

TO COMMISSIONER R.A.ROSS:

Q. Is that including an allowance for water rights? A. No.

Q. There must have been some water rights included for the undeveloped powers and water rights because you have got it in two groups here and these two seem to make up the total and I am at a loss to understand exactly what you mean and whether the water rights were included or not? A. No, I do not think so, in statement No.1 we really take care of the electric property.

Q. The equipment? A. No, the superstructures and plant.

These were prepared by different departments, one was prepared by the Electric Department and the other by the Hydraulic Department, that only takes care of the physical assets in superstructures and Hydraulic equipment and permanent works and this other statement takes care of the superstructures and electric equipment, but does not take care of the other.

Q. The intangibles include whatever values there were in the water properties? A. That is it, the company estimated this between four and five million dollars, we did not agree to that, of course.

Q. Did you ever succeed in getting any reasonable valuation of a water property? A. No, I did not.

TO COMMISSIONER HANEY:

Q. Referring to the ratio of the intangibles to the value of the property it appears to have run at an arbitrarily fixed



valuation? A. The intangibles were fixed in connection with the property when we knew of the bond issue of \$8,350,000, that is of course 4% bonds, if it had been 5% it would have been \$7,000,000. \$8,350,000 was the amount that was fixed as the outstanding debenture issue on a 4% basis, we knew what the replacement value was in 1916. In other words we prepared the replacement valuation on the physical valuation of the property at the time. We also had information from the company's records and from those who are familiar with these as to what they had paid for intangibles, that is for the different properties. That is such as water rights and franchise rights and other riparian rights and things they had purchased. We knew what these were as near as we possibly could get at them.

Q. You had to make up the difference between \$5,400,000 and \$8,350,000? A. Yes.

Q. That difference amounted to in some cases 40% and in other cases 60% of the estimated value of the physical assets? A. Depending on what was really paid for the riparian rights in connection with these properties.

Q. That would appear to be a high price for intangibles not knowing exactly what they are? A. Some of them developments are not developed today, they paid as much as \$125,000 for the development, there is no capital against that, therefore, that would be a much higher percentage as far as intangibles are concerned.

Q. The real reason was, I presume, that you had to make the difference between \$5,400,000 and \$8,350,000 in order to make your books balance? A. Yes.

Q. You make that out of intangibles? A. Yes, if it had been 5% bonds we would have only had the difference between \$5,400,000 and \$7,000,000, it is merely a matter of bookkeeping.





Q. A mere matter of agreement as to the value of the property? A. Yes.

Q. What were the bonds worth at that time? A. Probably between six million and seven million dollars.

Q. I have been told that the value at that time was 90¢ on the dollar, they only had ten years to run? A. It would only amount to about \$7,000,000 in the investment.

Q. You had to take \$8,350,000 to get the cash value?

A. \$7,200,000 or \$7,300,000.

Q. At the end of ten years you have to pay that off at par?

A. You have to pay par at the end of ten years.

Q. You only make a saving in the difference between 5% and 4% over a period of ten years? A. Yes.

Q. I think the Government was paying them about 5%?

A. It may have been.

Q. So that these bonds at that rate would be worth rather more than ninety? A. Yes.

TO COMMISSIONER R.A.ROSS:

Q. The impression that is left with me is that you paid to this company an amount sufficient to retire their bond issue? A. Not quite enough because their bond issue as I remember, was between nine and ten million dollars in 1914 it was \$7,800,000 or \$7,900,000, the return of 4% on \$8,350,000 would not pay interest on the outstanding bonds.

Q. If the Sun Life got these bonds at eighty-five?

A. That is different if the bonds were given to them at eighty-five and they had nine million or ten million, it would hardly pay them.

Q. So that the cash put into this system would be pretty well cleared up by the bond issue you gave? A. I doubt whether it would, but it would be very nearly.

TO COMMISSIONER HANEY:

Q. Was not that the idea? A. I do not know what the idea was.



TO COMMISSIONER R.A.ROSS:

Q. Your justification for taking this over as an engineer was not on the physical valuation but on the earning valuation? A. We took into consideration the increased load at the time as near as we could and justified it on the basis of the information we had.

TO COMMISSIONER BLANEY:

Q. You did not anticipate excessive values from the pulp mill? A. No, I think the profit on the pulp mill was treated as zero, the profits are not very great.

TO COMMISSIONER HARRIS:

Q. That was a little luck? A. We had to spend money in the meantime to do that.

THE CHAIRMAN: If the Sun Life paid eighty-five for the bonds they would just about be covered.

MR.GABY: Not quite.

COMMISSIONER R.A.ROSS: It looks as if that was the way the arrangement was made.

COMMISSIONER J.A.ROSS: Did you foresee when you spent this \$8,350,000 to take over the original system that you would have to put in \$4,000,000 more? A. We did, we foresaw that we would have to put in additional capital to take care of the expanding market in that district.

Q. And revamp the plant that had run down to a very low degree of efficiency? A. There was very little revamping on the system, it does not amount to anything.

TO COMMISSIONER R.A.ROSS:

Q. Mostly in the gas works and the water works?

A. That is correct.

TO COMMISSIONER J.A.ROSS:

Q. As General Manager of this system what idea have you in mind as to the saleability of the gas and water works?





I get from you that you work them up to a point of efficiency when they can be sold. Have you any reason to believe that you could get the money out of them that you put into them? A. I believe so because we have put them in a position where they will pay in a very short time, there is a great advantage from last year, we are putting them in a position that they will be able to carry themselves and be able to set aside renewals on the plant.

Q. If you have a loss in the sale of this plant who will meet the deficit? A. If we have a loss that would go into the intangibles in the power system or the Government would have to take it over.

Q. Would you favour spreading your power cost throughout the district? A. That is a question of policy, I do not know how it would be dealt with.

Q. That is one way of getting rid of it? A. Yes.

Q. Did you add any intangibles to the cost of the works when you took them over? A. Yes.

Q. Don't you expect when you sell them to get enough to cover cost and intangibles? A. If we can show that our properties are taking care of operating expenses and interest.

Q. Do you mean you are producing a fair revenue at actual cost plus intangibles? A. Yes, whatever value is against this property.

Q. And sinking fund? A. Yes.

TO COMMISSIONER R.A. ROSS:

Q. Are not you watering the property? A. That has been inherited.

TO COMMISSIONER HANEY:

Q. You call them intangibles instead of water?

A. I do not know whether we have any stock in this proposition, they have been loaded on us and we have to distribute them.



TO COMMISSIONER J.A.ROSS:

Q. I want to get your point of view as executive officer running these properties, do you feel these plants can be sold at a profit? A. I believe these plants -

Q. In spite of the fact that in your operation so far you have had a deficit? A. Yes, but today it is not showing a deficit.

Q. All you have got to go on is the past year which shows a mounting deficit, you have not made any money on the whole operation in four years on any one of these plants, water works or gas works? A. Yes, not on the whole four years.

Q. But by raising the rates you are bettering conditions and bringing it to a point where it may be a good selling proposition? A. In the case of Peterboro Gas Plant we reduced the rates this year.

TO COMMISSIONER HARRIS:

Q. I suppose when the Government asked you for a report of this whole situation you did not tell them of the difficulties that you could foresee in the future or could you see any difficulties? A. Well, we saw difficulties in the operation of the plant as it then existed, we also saw that these conditions would more or less rectify themselves in the increasing markets and as far as the report to the Government is concerned I do not know what detailed statement we did submit.

Q. I suppose they treated your report very seriously?

A. I do not know what report we did submit, they must have treated it seriously because legislation was enacted to carry out the purchase of that property, whatever it was.

Q. The responsibility was on the Commission? A. The recommendations were made by the Commission.





Q. Mr. Ferguson said they accepted your report on the situation and that is what they based their purchase on?

MR. FERGUSON: We took the report seriously.

Q. You took the report seriously?

MR. FERGUSON: Of course we did.

Q. That was the only thing you could do?

MR. FERGUSON: That was the function of the Commission to make such a report and I suppose it is the function of this Commission to stir them up if they can.

COMMISSIONER HANBY: Clear them up ?

MR. FERGUSON: I suppose that is a matter of opinion.

Q. Your deficit on the gas works appears to have been \$104,000? A. They were in a very poor condition in the beginning and we have been putting them in shape.

Q. One of the gas plants is closed? A. Yes, Napinee.

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WALTER MEIGS

TO COMMISSIONER HARRIS:

Q. Where do you come from? A. My home is in New York State.

THE CHAIRMAN: I might say that I had occasion to write the Hydro Commission about Mr. Meigs a year or so ago in connection with a proposal to buy the limits but since that time I have known nothing about the matter.

I was employed professionally at that time.

MR. MEIGS: Yes.

COMMISSIONER HARRIS: I made the statement here this morning, I had not met Mr. Meigs at that time, that an offer had been made to the Hydro Commission of \$600,000 for the pulp plant and the limits, that was the information I had, I understand your offer was \$568,000? A. Yes, there may have been others.

Q. Did you know that there were two offers made Mr. Gaby?



MR.GABY: Yes, sir, as far as offers are concerned I do not know anything about Mr.Meigs proposition at all except what I have heard indirectly from representatives of the Government, as to what he did I do not know anything about it at all; except I know that there were certain representations from Mr.Carrick who made certain offers to the Commission for the purchase of the property and I believe that is all in writing.

COMMISSIONER HARRIS: Did you know of the offer of \$600,000, Mr.Guilfoyle?

MR.GUILFOYLE: No.

MR.GABY: No, there was nothing like that; the offer of \$565,000 was not made to the Hydro Electric Power Commission.

COMMISSIONER HARRIS: I believe it was.

MR.MEIGS: Yes, and I believe it was in writing.

Q. Was that an offer or an option? A. An offer.

MR.GABY: There is no offer that I know of in connection with that, it may have been made to somebody else but there is no offer on the files of the Commission that I know of.

Q. That was in writing to the Commission?

MR.MEIGS: It was.

Q. \$565,000? A. Yes, and it is a matter of record, I think Mr.Raney has the records.

Q. Did you discuss the matter with the Government? A. I did.

Q. Who did you discuss it with? A. Mr.Raney.

Q. Was the offer made to the Government also? A. Yes.

Q. When? A. I think it was in the spring of 1920, the end of March or the first of April.

Q. Mr.Gaby has just said that he thinks there was some litigation in the way of considering this offer?

MR.GABY: The whole matter was referred to the





Government when it came under discussion and it was entirely dealt with by them, the Commission just simply turned it over to the Government and told them, "Here is Mr. Meigs' offer, it is entirely your property and you deal with the proposition as you deem fit". As far as the Commission were concerned, as I remember it, we were out of it entirely and it was left entirely in the hands of the Government and they gave a decision.

TO COMMISSIONER HANEY:

Q. You made no recommendations? A. No, we just turned everything over to them and told them the situation and they dealt with it as a Government and took care of the situation and it was left entirely in their hands.

MR. MEIGS: Of course our offer was \$565,000 at that time; it would not be \$565,000 today, there has been a certain depreciation since the \$565,000 offer.

TO COMMISSIONER HARRIS:

Q. There were no strings on that offer, I suppose?

A. No, we put up a deposit.

MR. FERGUSON: Were you buying it and going to operate it?

MR. MEIGS: Yes.

Q. I suppose you will not buy it in the face of the break in the paper market? A. No, it was before the peak, in anticipation of the peak.

Q. When the peak was over it would not be worth as much?

A. It will never come back to that, never within a long shot of the price obtainable at that time. As I recollect it the price went to \$75 a ton for ground wood and within the last six months it has been down to within the neighborhood of \$20 to \$30 a ton.

MR. FERGUSON: The mills are only beginning operation now on a large scale, the paper mills are just working up.



Anybody who knows anything about a paper mill knows that.

COMMISSIONER HARRIS: You did not hear anything of any litigation in connection with your offer?

MR. MEIGS: No.

Q. Did you know they had another offer? A. I did not until after ours was in and we made our first deposit, but I found it out afterwards.

Q. Did you ever ask whether the other offer was more or less than yours? A. It was less.

Q. As far as you know yours was the best offer that was made? A. As far as I know, yes, sir.

Q. You have no idea why your offer was not accepted?

A. No, I have not any idea.

MR. FERGUSON: What did the Minister tell you?

MR. MEIGS: He simply said that they could not carry it out.

Q. That is all? A. That is all.

TO COMMISSIONER HARRIS:

Q. Was it in connection with the title of the property?

A. Yes, I believe it was, I believe there was some trouble.

Q. That they could not settle? A. I think there was something of that kind.

Q. Would you have been willing to take it? A. Yes.

Q. And assume any trouble with the titles? A. Yes, we offered to do that.

Q. That seems fair? A. At that time we figured that it was about eight years ahead on the timber, that that township had about eight years supply and we also figured that the plant was good for operation for possibly five or six years by putting it in repair and we thought that we were coming into a very rapidly rising market and we expected to make enough during the next two or three years operation to offset that.





Q...Because you had a finished plant ready to operate immediately? A...Yes, we had a finished plant, ready to operate immediately and the plant could then have been given up without any material loss.

Q...What is the size of the limit? A...As I remember it, it is in the neighborhood of 80,000 to 90,000 cords.

MR.GABY: There is over 210,000 cords of pulp wood only and a great deal of other timber as well.

MR.MEIGS: There is a certain amount of hardwood but nothing that would be applicable to pulp wood.

MR.GABY: The surveys we have made show 210,000 cords of pulp wood and in addition to that there is a very large lot of hardwood, pine, spruce and lumber spruce and other timbers. It has been thoroughly surveyed and these are the surveys that we have had in connection with it. It is good for more than eight years. Mr.Meigs may have had the idea of a 100 ton mill because that would use 10,000 cords annually, the limit comprises 42,000 acres, nine miles.

THE CHAIRMAN: Did you have any survey, Mr.Meigs?

MR.MEIGS: Yes.

Q. You found what quantity? A. That is my recollection, I will have to check it up, we figured it had seven to eight years. The territory had a certain amount of cutting done in it and there was a certain amount of waste land.

COMMISSIONER HANEY: Some water? A. Some water, it is the usual timbering track proposition with the average, we think, of seven to eight cords per acre, when we get that we think we are doing pretty well.

Q. That is on all timber lands? A. Depending upon the location, I think that special timber track was an unusually good one.



TO COMMISSIONER HARRIS:

Q. Have you anything to add? A. No.

TO THE CHAIRMAN:

Q. You are prepared to make an offer for it now?

A. Not without knowing more about the present situation, I do not know what shape the plant is in or what shape the timber track is in, but we would be interested in its purchase.

Q. Have there been any <sup>fires</sup> on the limit?

MR. GABY: No fires at all, to any extent, there might be a little.

COMMISSIONER HARRIS: Your people have not been on the property for some time? A. Not for two years.

MR. GABY: No cutting has been done in the last two years, the cutting was done over two years ago.

Q. Was the wood that is there cut two years ago?

A. About two years ago, we had about 14,000 cords on hand and that was cut about two years ago.

COMMISSIONER HARRIS: The plant was operating this year?

MR. GABY: Started in September.

Q. Was that the first operation this year? A. The first operation this year.

COMMISSIONER HARRIS: We were up there and saw quite a lot of pulp wood on hand.

MR. GABY: About 14,000 cords at all places.

Q. There was not 14,000 cords at the mill? A. No, two or three thousand cords at the mill and the rest distributed at other places, some at Bancroft.

-----Adjourned at 5 P.M. until 10:30 A.M., tomorrow.





NOVEMBER 22nd, 1922.

RESUMED AT 10:30 A.M.

NORTH BAY.

PRESENT:

MR.G.A.MOGAUGHEY, and

MR.D.BARKER, representing North Bay.

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THE CHAIRMAN: I understand you are appearing for North Bay?

MR.MOGAUGHEY: Yes.

Q. You will tell us something about the situation up there? A. Yes.

Q. I understood you communicated with our secretary sometime ago about coming here? A. As far as the position of the Commission is concerned, there were certain things that we are asking them for and we are just getting this information at the present time.

Q. Who are you getting the information from?

A. From your secretary, Mr.<sup>B</sup>Bowers.

Q. What information is it? A. We want to find out the cost of the plant at North Bay and what our power is going to cost us.

Q. I think we have got no information except what we have obtained from the Hydro. If the Hydro would open their source of information to you, would not that answer your purpose? A. Pretty much.

Q. You are quite willing to give such information as you have, Mr.Jeffrey?

MR.JEFFREY: I believe Sir Adam told the Mayor yesterday they could have any information that we have.



MR.McGAUGHEY: I guess there will be no trouble but we have not the information as yet.

THE CHAIRMAN: I think you will find they will give it to you, we have the information that we got from them and there is no objection to our letting you have it but if you can get it from the Hydro there is no reason why you should not get it there.

TO COMMISSIONER J.A. ROSS:

Q. Did you ever ask for it from the Hydro?

MR.McGAUGHEY: No, we have a franchise now which will terminate in 1926 and we don't know what it is going to cost us. At the present time we are short of power. We have not sufficient power at North Bay, we can scarcely get sufficient lights at night and we must have some power and we thought possibly there might be some recommendation from this Commission as to supplying power for North Bay and as to the Province supplying North Bay and other districts. The situation at the present time is that we are under a contract with the Nipissing Power Company under a ten year franchise, that will expire in 1926.

Q. Is that one of the plants taken over by Hydro under the Central Ontario deal? A. Yes, that is one of the plants and the franchise expires in 1926.

Q. Was the agreement made by Hydro after it acquired the plant which it took in 1916? A. Yes.

Q. Was it made with the Hydro or with the Seymour interest before the Hydro took it over? A. Before Hydro took it over.

MR.JEFFREY: It was made with the Seymour Company before we took it over.

MR.BARKER: It was made three or four months before Hydro took it over, we had a subsequent agreement. December 15th, 1916, is the date of our agreement with the Nipissing Company, there was another franchise in 1912.





TO THE CHAIRMAN:

Q. What were the terms of this contract? A. We have the terms here.

Q. Was it to supply you with a certain amount of horsepower at a certain rate? A. It is set out here, a different price for lights and for commercial purposes and everything in connection with it.

Q. Did they own the distribution plant in North Bay?

A. Yes, as far as the Town of North Bay is concerned we do not own either the municipal distributing plant or the power plant, it is entirely in the hands of the Government at the present time. We would like to know whether we could get further power and what it is going to cost us when we get power in 1926.

Q. What is the maximum amount you are entitled to now?

MR. BARKER: Back in 1911 North Bay Light, Heat and Power Company owned the plant and the Municipality owned the distributing plant, it was originally a steam plant and the Nipissing Power Company developed power at South River, about 20 miles from North Bay, and they sold to the North Bay Light and Heat Company hydraulic power just a short time before their franchise expired with the Town of North Bay. Previous to the expiration, which I think was about the 13th September, 1911, the Nipissing Power Company bought over their holdings, that is the municipal distributing plant in the town and the old steam plant that they used to utilize previously and they came to North Bay and asked for a new franchise and for new rights for power, at that time we made an agreement and the third one of the agreements was submitted to Mr. Ross of Montreal, for his recommendation and report and in 1912 we invited Sir Adam Beck to come up and tell us about Hydro and he came up and introduced Hydro. The question was put to the ratepayers in North Bay whether



they were in favor of the Hydro coming in. This was an enabling bylaw and on the 18th November, 1911, they voted very strongly in favour of Hydro. At the same time we submitted a franchise from the Nipissing people and it was defeated and the money bylaw was passed at the municipal election in January, 1913, for \$60,000 for the Town of North Bay to buy out its own distributing plant from the Nipissing Power Company and do some extra street lighting. That was carried but the Nipissing did not get it and it was thrown into the hands of the Hydro to come to North Bay and operate for us, during 1913, '14 and '15 Hydro had it in their hands but they did not operate nor they did not do anything for us. Then we were paying more money to the Nipissing Power Company than we should, about \$6,000 a year more than we should pay. So that at the end of 1915 we went back and negotiated a new franchise with the Nipissing Company and submitted it to the ratepayers and it carried. That is the franchise we are living under for 3,500 h.p. at a certain cost, and gives our domestic and commercial and church and power and street lighting schedules all through which were very satisfactory for us. About three or four months after that the Ontario Government purchased the Nipissing Power Company and have been carrying on this franchise of the Nipissing Power Company ever since. We feel that we are short of power up there. Our lighting is restricted. We understand that Hydro is putting in an additional unit of power there which will be in operation in perhaps a years time.

Q. Where? A. At Nipissing or close to Nipissing, it is an additional plant to carry us through, the franchise will expire in three years more and they are just carrying that contract through in the meantime, we are not under any franchise with the Hydro. We are using now from 1,600 to 2,000 h.p.





Q. You are not up to your limit? A. No, they guaranteed us 3,500 h.p.

Q. They have been able to supply you? A. We have been getting along by curtailing here and there.

Q. Are they in a position to supply you with 3,500?

A. They tell us they are putting <sup>in</sup> a new unit and it will be a year before it is done and we will have to carry on in the meantime as best we can, their capacity is very limited.

Q. You are getting now about 1,600? A. 1,600 to 2,000.

Q. They agreed to give you 3,500? A. Yes.

Q. There is a wide margin yet between you, you are getting what you are entitled to? A. Yes.

Q. Won't that supply all your wants for some time to come? A. No, because there are a lot of houses asking now for domestic heating and cooking and that cannot very well be supplied because we are short now.

Q. Do you mean you are short when you have got to the 1,600 point? A. Yes, until they put in the new development.

Q. If they gave you 3,500 you would not be short at all?

A. No, but at the present time we have nothing to offer to industries that might come towards us asking for power and we are situated very favorably for industries.

Q. What is the limit that could be supplied with your present plant? A. From 1,600 to 2,000 and we are taxing them over capacity.

Q. How was it they agreed to give you 3,500 without having the capacity to do that? A. It was the Nipissing Power Company, I think they are putting in more units, that will create perhaps 4,000 h.p.

Q. You say you are short at present? A. We are.

A. That means that they have not got the capacity to supply you now with 3,500? A. No.

TO COMMISSIONER HARRIS:

Q. The Nipissing Company could not supply you with that much?



A. They could by installing the necessary machinery.

Q. They would not be justified in doing that with a franchise that runs out in three years? A. Only to the extent to keep us supplied according to the contract.

TO COMMISSIONER HANEY:

Q. Have the rights of the Nipissing Company been taken over by the Government? A. Yes.

Q. You are not dealing with the Nipissing Company at all?

A. Except through the contract.

Q. The Nipissing Company has also been bought by the other company? A. It is a subsidiary of the Electric Power Company.

Q. Hydro is not running the Nipissing Company now?

A. Yes, they are running the municipal distributing plant and the power plant as well, they have everything.

Q. That was part of the Seymour Company? A. Yes.

Q. How did the Seymour Company come to agree to supply you with 3,500 h.p. when they had a capacity of only 1,600 and how did they expect to make up the difference? A. The installed capacity may not have been 1,600 at the time but they had power there that they could develop by the necessary machinery and that is why they guaranteed us.

Q. That promise was made before the plant was sold?

A. That contract was entered into in January, I think, December 15th, 1915.

Q. So when the Government bought that plant out they assumed the obligation of the Nipissing Company to give you 3,500 h.p.?

A. Yes, and I think possibly the Hydro is doing everything they can do under the circumstances for us.

Q. I suppose the additional development requires additional expenditure of capital account, have you any idea what that will amount to? A. No, we are lacking information but we are getting it from the Hydro office.





TO COMMISSIONER R.A.ROSS:

Q. What rate of increase have you had in the last two years in the power demand? A. We were using about 515 h.p. in 1912 and 13 and we are using now between 1,600 and 2,000.

Q. Running about 100 h.p. increase in a year? A. Yes, of course we were stunted during the war.

Q. Are there any immediate prospects of a larger use of power or just an ordinary increase from year to year? A. We are very optimistic as to getting industries to our town and we would like a larger development in order to induce people to come there, at the present time there is no use industries coming to the country because we could not supply them.

Considering North Bay and Sudbury together they have 3,500 h.p. on the French River.

Q. How are Sudbury supplied now? A. By a private company. At one time it was considered that the British-American Company would establish there and it would require a considerable quantity of horsepower and that is one of the things that we want to speak to the Hydro about, the position of Northern Ontario in reference to municipalities being so far apart and the cost of constructing a power plant. We will not be in the same position as Southern Ontario because it will cost too much money and unless some arrangement can be made throughout the Northern Part of the Province whereby the Province would construct the power plant and allow the municipalities to operate their distribution plants and extend it over a number of years so that it will eventually pay itself and it could be worked out in some way but as a municipality we cannot make it work because we have only one or two municipalities and have a considerable distance between one another.

TO COMMISSIONER HARRIS:

Q. How far would it be from the French River where the



development would take place, to Sudbury and North Bay?

A. About 30 miles from North Bay.

Q. Is it between the two towns? A. No, it is nearer to North Bay, the transmission line would have to run through North Bay to Sudbury.

Q. That would be about 100 miles? A. Yes.

TO COMMISSIONER R.A.ROSS:

Q. What is being done with the power on the Spanish River, it has been shut down for some time? A. I do not know about that.

Q. There is about 10,000 h.p. there?

THE CHAIRMAN: I see from the records that the amount of horsepower you took in 1916 was 1,153 and in 1921 1,696 and your revenues only appear to be 92% of the expenditure and the loss in 1918 was \$17,000, in 1920 \$8,500 and in 1921, \$8,804 and a surplus in 1919 of a little over \$2,000? A. There has been a great deal of new development, North Bay has almost doubled in population since that time. Perhaps that cost was incurred in connection with capital expenditure.

TO COMMISSIONER HARRIS:

Q. If you had the power you might be able to take 1,000 more horsepower? A. Yes.

TO COMMISSIONER J.A.ROSS:

Q. Is the power cheap enough so that the people can use stoves? A. Yes, and we cannot get stoves in sufficient number.

TO COMMISSIONER HARRIS:

Q. That is for cooking? A. Yes.

COMMISSIONER R.A.ROSS: When you have a shortage of power it is a question whether you should encourage stoves, because that will increase your rates.





MR. JEFFREY: I might make an explanation that would clear that up. The use of stoves in North Bay has grown so fast that the distribution lines have become inadequate to supply them at a proper voltage and we are now putting in more lines, more copper as the load comes on and that will give a better voltage. It is not altogether a lack of power it is lack of copper in that distribution system although we are up to the limit of our power in the generating plant.

TO COMMISSIONER R.A. ROSS:

Q. What rates have you got there for stoves? A. Three and a half cents to start with and then it is cut to one and three-quarters, it is a very favorable rate for stoves.

Q. So favorable that they are using too much power?

A. For its size, I guess<sup>s</sup> North Bay has more stoves on its system than any other town that we supply.

COMMISSIONER HARRIS: Which would you rather have, a supply of current for stoves or industries?

MR. McGAUGHEY: We are growing very rapidly now and we require power.

THE CHAIRMAN: How much power are you supplying now, Mr. Jeffrey?

MR. JEFFREY: About 1,400 K.W .

Q. You are increasing? A. Yes.

MR. McGAUGHEY: What position would we be in if we acquire industries and had to supply them with power? Is there any other way except through the Nipissing Power Company?

THE CHAIRMAN: Under your contract you say you are entitled to 3,500, I suppose Hydro has accepted that contract, Mr. Jeffrey, you are bound by that contract?

MR. JEFFREY: Yes.

THE CHAIRMAN: What are you doing to give the additional amount of power that they are entitled to under that contract? A. There are quite a few propositions



in view. In the first place the old steam plant went out of business, it became so old we could not operate it unless we bought practically a new steam plant, that helped us when it was in operation, it supplied about 750 K.W. in three small units. To offset that we put up a number of storage dams and collected more water on the system, the plant was two 450 K.W. machines and one of these was changed to 1,400 and although we cannot get all the capacity out of it with the present pipe line, yet we are getting 900, so that we are getting between four and five hundred K.W. out of the one unit. Before we can get more capacity on the station we have to make some change in the cross-over pipes and with a proper pipe line we can get approximately 2,800 out of that plant. In the meantime we cannot very well go ahead with our development of it because we have to stop operation several months to make this change over and we are going ahead with another development at Bingham Chute farther up the River and we are going to put in there the old 450 K.W. unit which we have replaced in the power house and then we will go ahead with the second unit there and put in the other 400 K.W. taken out of the old steam plant or the 450 K.W. out of the present generating plant.

Q. How much power could you develop at Bingham Chute?

A. About 950 K.W., we are going ahead with that as being the most economical development we can make and still keep our power supply going on the system.

Q. How much head there? A. A little over 40 feet.

TO COMMISSIONER R.A.ROSS:

Q. Would not it be better to start the steam plant over again?

A. No, the steam plant is such a costly proposition, we only have a short time to go on that franchise and then I suppose it will be a matter of power at cost, the plant is pretty well holding its own but we are not getting enough out of it





and we do not want to go ahead and put in an expensive steam plant when we have hydraulic power there which can be developed and which will be cheaper in the end.

Q...I thought you had the old steam plant which you could revamp until you knew what you could do? A. At so much cost that we could not very well handle it, it would cost much more than putting in the Bingham Chute plant.

TO COMMISSIONER HARTY:

Q...Will your rates when you have this development in be much greater than they are at the present time? assuming you will sell it at cost? A. I would not say so, the increase in loads I think will take care of that, the revenue is going to be much more.

Q...I presume that is one of the things North Bay is interested in?

Mr. McGAUGHEY: Yes.

COMMISSIONER R.A. ROSS: What rate are you getting now? A. They are distributing it direct.

TO COMMISSIONER HARRIS:

Q. You are the only customer on that line? A. There are a couple of small towns, Callander and Powasson, one is eight miles and the other is 20 miles from us, they are on the main transmission line from Mipissing.

Q. Why would not it be practicable for North Bay to get a figure on taking over the whole proposition if from the Government, you are pretty well isolated?

MR. BARKER: That is what we want to get figures on, we received no figures until yesterday on that proposition, possibly we might consider that proposition. The extent of the development of the power for future use for North Bay has to be considered, we want to extend and these are things we have to consider in North Bay.



TO THE CHAIRMAN:

Q. No doubt the Government will be prepared to sell the distributing plant to you? A. Yes.

COMMISSIONER HARRIS: I should think they would be prepared to sell the whole thing and if you could develop sufficient power up there I do not see why the Government should not sell the whole thing to you.

THE CHAIRMAN: The plant supplies other places besides North Bay.

MR. BARNER: They take very little power.

COMMISSIONER HARRIS: Municipally operated plants where they have anything like a good water power close to them are in a much better position than the municipalities operated under Hydro.

THE CHAIRMAN: That depends, I suppose.

COMMISSIONER HARRIS: If you have to go in with Sudbury then you would have to bear the cost of the transmission lines all over the place.

MR. McGAUGHEY: That was one of the main things we were considering, what position are we going to be in with regard to the large development, there is no municipality as far as our part of the Province is concerned that can finance a large development. Does the Act provide for such a contingency as that, outside of the municipality itself. We say we want a development of 35,000 h.p. on the French River and that will cost several million dollars and that is more than the whole capitalization of North Bay.

Q. You would not want the municipality to go into a big development like that, 4,000 would be sufficient for you at the present time? A. Yes, but that would only supply our needs as far as the actual lighting and heating is concerned.





TO THE CHAIRMAN:

Q. If you undertake to finance that big undertaking Hydro would come in and spread the payments over a considerable time but you might find a small development better than going into a large development. I think if you had all the figures before you you would have sufficient business judgment to decide what was the best thing to do? A. I think so.

TO COMMISSIONER HANBY:

Q. Where does Sudbury get their power now? A. They have a local development but I think Mr. Cochrane was interested in that, it is not Hydro.

THE CHAIRMAN: What other places does that power supply?

MR. JAMES: Only Sudbury, the municipality uses there between 1,500 and 2,000 h.p.

Q. They have sufficient for their requirements?

MR. JAMES: I understand not, the developments around Sudbury are pretty well taken up, the mining companies and the pulp mills are taking up all the power that is available.

Q. Have you looked over the French River developments?

A. Yes.

Q. What would be the cost of a development for 35,000 or 40,000 h.p.?

MR. JAMES: There are several estimates, none have been made recently, it is quite a costly development and would depend upon how much the Federal Government is going to do in connection with the canal scheme.

Q. Take it on its own bottom, the canal scheme is pretty remote? A. I do not remember just the exact amount.

Q. We don't want it exact, give us a rough estimate?



A. It would cost somewhere in the neighborhood of \$200 a h.p.

Q. About \$7,000,000? A. Yes, it is 30 miles from North Bay and it would have to be carried 100 miles to Sudbury, it is near the crossing of the C.P.R., there are two sites, one near the mouth of the river and one near Lake Nipissing, I think the fall we would get there would be between 50 and 60 feet and the other is about 40 feet.

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W.W. POPE

TO THE CHAIRMAN:

Q. We called you particularly about the negotiations that took place between the Hydro and the Seymour Power Company and the Dominion Government which led to the purchase of the Seymour System by the Provincial Government; can you tell us about that? A. The negotiations with the Seymour people and the Government extended over some years. There was an application made by the Hydro for the right to develop dams 8 and 9, and I think also 4.

Q. That was when? A. About as early as 1914 or 1915, perhaps 1912, and hearings were had. I know we were at Ottawa and Mr. Strachan Johnston represented the Seymour Power Company.

Q. What did you do at Ottawa? A. Asked the Dominion Government to grant us the right to develop these undeveloped water powers on the Trent.

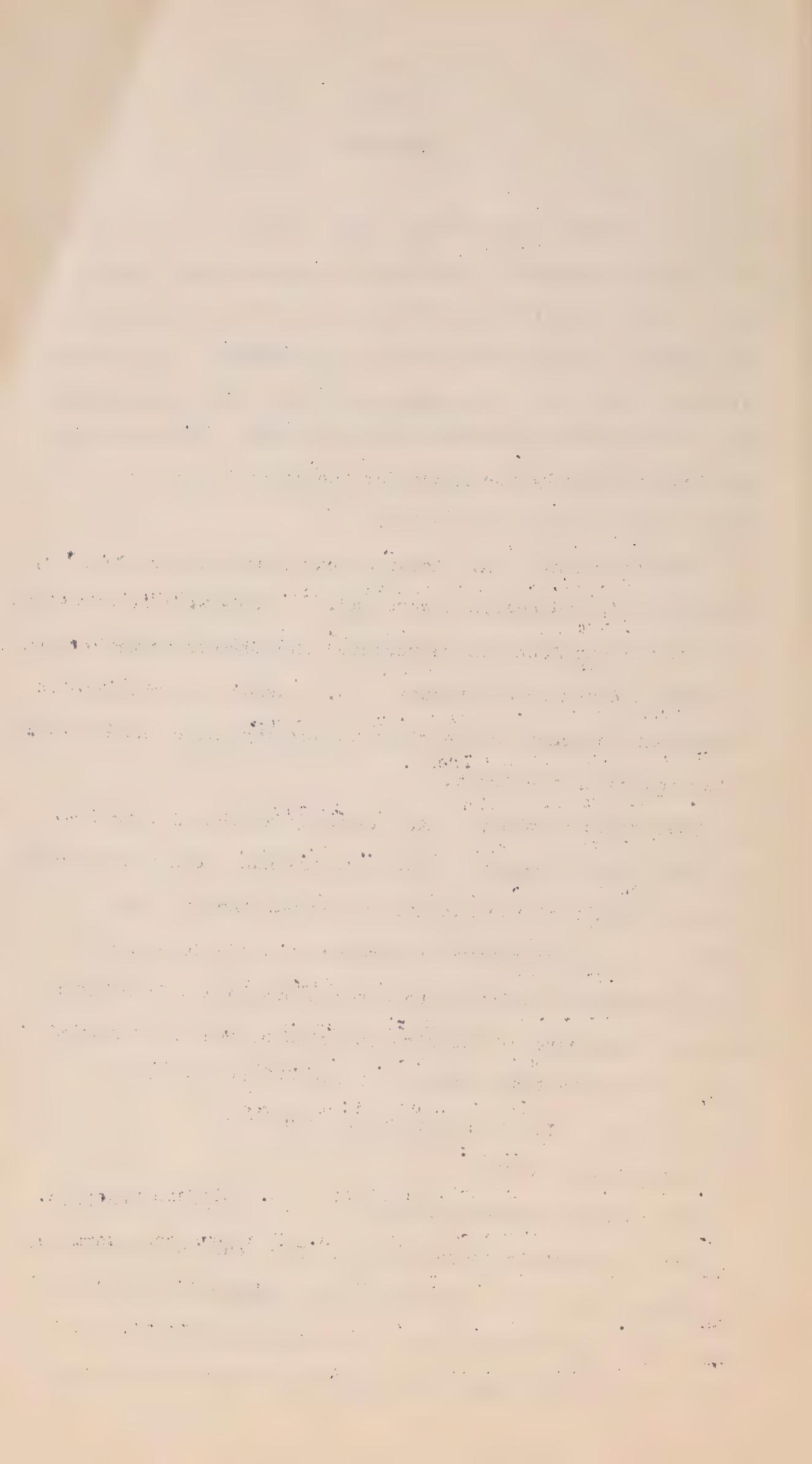
Q. That would be when? A. As early as 1914 I think.

Q. What was the result? A. Mr. Strachan Johnston appeared there on behalf of the Sun Life which was the principal owner of the Seymour Power interests, and the Government finally agreed to allow us to develop Dams 8 and 9 providing we would take care of the riparian rights, and the Minister wrote a letter to that effect. I cannot give you the date of that. It is on our files somewhere

TO COMMISSIONER HANLEY:

Q. Who owns the riparian rights? A. Different people.

Q. Not the electric company? A. They own considerable of it but not all of it. That would be somewhere between 1912 and 1915. Then we asked for the right to develop, and it was not done, and I understood they recommended the purchase



of the Seymour interests.

Q. Why did not you begin your development? A. We had not got any permission except this letter.

Q. Was not that sufficient? A. We thought not.

Q. What did you want? A. We wanted a lease.

Q. They declined to give you the lease? A. They did not decline, but we did not get it, and these negotiations for the purchase went on. Valuations of the plant were made.

Q. The purchase from the Seymour people? A. Yes, A valuation was made by our people, and the Chairman carried on the negotiations from time to time, and nothing came of it, and we could not expropriate.

Q. Why not? A. Because the Dominion controlled the situation as to the lease of the water powers. We could not expropriate the Seymour rights with the leases held by the Dominion and they had power to cancel these leases at any time, and we would simply have the property on our hands.

Q. You never thought the Dominion would do such a thing as that? A. That was the legal position at that time.

Q. Did they intimate to you that they might do that? A. No, Sir, but they were controlling all the rights in that canal.

Q. They held the key? A. Yes, without co-operation with them, there was not much use making any attempt to do anything. Ultimately they came here to Toronto - I think Dr. Reed was here - I was not present - and took up the purchase, and I understood they came to some arrangement.

Q. Prior to that you said some negotiations had gone on with the Seymour people, and we understand some offers were submitted? A. I think Sir Adam made offers.





Q. Have you any record of these offers? A. No, they were made during conferences from time to time.

Q. What were these offers? A. I would not like to give them because I am not sure at all what they were, but they were somewhere about \$5,000,000 or \$6,000,000 I think.

Q. Were there several offers? A. Negotiations were going on for quite a long time.

Q. What prevented your closing? A. They did not get together.

Q. You did not offer them as much as they wanted? A. I think they wanted \$9,000,000. I think the Sun Life claimed they had \$9,000,000 worth of bonds that they had purchased.

Q. At what price? A. I do not know anything about that. Mr. Johnston claimed about \$9,000,000 in the plant. Then there was a bargain made here and there was the agreement and the Act and the whole thing was done.

Q. There is a writing here from Sir Adam Beek as Chairman of the Commission? A. Yes, the bargain that they had reached, he approved of it.

Q. He recommended the purchase at a certain price?

A. Yes, I do not know that that is on file.

Q. It is on file, and we have a copy of it here. That was considerably more than Sir Adam had offered himself; why did the Government pay a higher price? A. I understood dispensing with the sinking fund for ten years, and the long term purchase at 4%.

Q. For \$8,350,000? A. Yes.

Q. How was it that so much as that was offered? A. I do not know. I had nothing to do with it personally. The



bargain was made here in the building.

Q. Who were present at that meeting? A. I could not say.

Q. I notice a memo amongst your papers giving an account of this meeting? A. I understood that Johnston represented the Sun Life.

Q. You took some part in these negotiations with the Dominion Government - that was in this building?

A. No, Sir.

Q. You did some telephoning? A. I would like to know what the date is? I cannot carry it back.

Q. That could be March 4th, 1916? A. The beginning of 1916, I know. After the bargain was made I know something of it.

Q. Before? A. No.

Q. "Mr. Pope when in Ottawa called upon Mr. Reed at his room at the Parliament Buildings, in the evening regarding Canadian Northern bills. While he was there, Mr. Strachan Johnston came in and at once started to discuss the power situation in the East, evidently as a result of a deputation from the East which had that day called on Dr. Reed. Mr. Reed stated that he was coming to Toronto Friday night, and evidently seeing the Ontario Government, and if possible the Chairman of the Commission on Saturday with a view to coming to some conclusion as to what should be done respecting power in the East. When he returned home, Mr. Pope telephoned Sir Adam Beck and told him that he was to let Mr. Reed know when and where it would be convenient for him to see him. Sir Adam stated that he could prefer Sunday, although he could make it Saturday if necessary. Mr. Pope called Dr. Reed on the telephone and delivered Sir Adam's message





relative to the appointment to which Dr. Reed replied that he would have to see Sir Adam on Saturday, as he proposed leaving Saturday for his home at Prescott. In view of this he fixed Saturday afternoon at 1:45 at the King Edward, and said he would meet Sir Adam in the corridor at that hour, and the arrangement was made accordingly".

Q. What day was that? A. Apparently the memo is on the 20th of April, that refers to a meeting on the 4th of March. I was in Ottawa and ran across Dr. Reed and Mr. Johnston together at the Chateau, and I think Dr. Reed said he was going to Toronto. I think that is what led up to it, and then I evidently made an arrangement between Dr. Reed and Sir Adam. I have some recollection of that now.

Q. "Sir Adam Beck called Mr. Pope and asked him to get in touch with Mr. Staunton, and endeavour to have him present also. Mr. Pope got in communication with Mr. Staunton's office and house but while he was informed that Mr. Staunton was in Toronto and was not able to reach him"? A. Yes.

Q. That is substantially correct? A. It could not be there if it was not, but my recollection does not quite carry me that far. I knew Dr. Reed was coming here to see the Government in reference to it. What happened after they got here I was not present and do not know. I think it was on Saturday that bargain was made.

Q. Those present were Mr. Gaby, Sir Adam Beck, Dr. Reed, Mr. Ferguson and Mr. Staunton - would that be to the best of your recollection? A. You must have got that from Mr. Gaby or the Chairman.

Q. In this letter from Sir Adam Beck, he says he recommends



the purchase for \$8,350,000 - 50 year bonds, but the agreement is signed between the Government and the Seymour interests and provides that the bonds shall be ten year bonds.

How did that change come to be made? A. I did not know of that. As soon as the agreement and draft Act came to the attention of the Commission they protested.

Q. I think you said the agreement was signed that day?

A. The memo - Sir Adam's letter approving of it.

Q. The agreement is dated March 10th, which is nearly a week later? A. The agreement was drawn here by Judge Ferguson.

He told me he drew it, but Staunton says he drew it. The present Judge Ferguson had some connection with it.

Staunton, Johnston and Ferguson were the three lawyers I understood who were acting in the matter.

Q. That is rather an important change? A. Yes.

Q. Tell us the best you can as to how that change was brought about? A. I have no knowledge of how it was done.

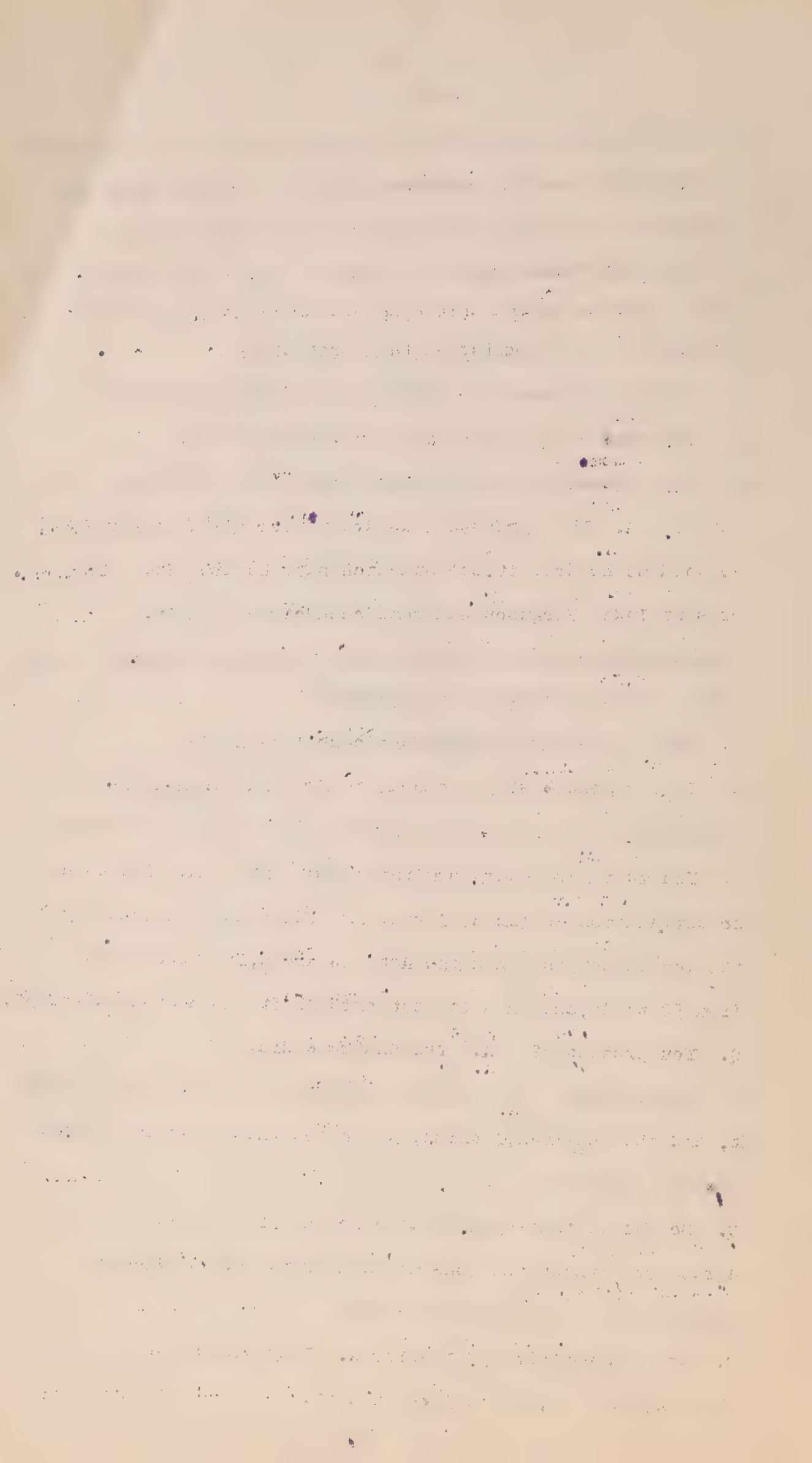
Q. You must have heard something about it? A. There was no explanation as far as I know. The change was made by the Government and when the Act was drawn, it was changed from 50 to 10, and when it went through it was 10 instead of 50.

Q. You protested? A. The Chairman did.

Q. In writing? A. There is something in the minutes about it, and the Chairman, I think, was to see the Minister of Lands, Forests and Mines.

Q. So far as that change was concerned, it was made in the agreement without the consent or approval of the Hydro authorities? A. As far as I know.

Q. Are you positive of that? A. They protested against it. When they saw it, they objected to it.





Q. You were present at the meeting? A. I was - I took the minutes.

Q. You heard the discussion? A. Yes.

Q. You are satisfied however that the Chairman did not consent to the change and he protested against it? A. Yes, he was deputed to see the Minister about it, and then it came up and it was discussed on the floor of the House. I do not remember the discussion.

Q. Mr. Ferguson told us yesterday this purchase was made for the Hydro? A. I do not know what it was made for.

Q. At their request? A. No, I did not so understand it,

Q. They were acting for the Hydro? A. I did not so understand it.

COMMISSIONER HARRIS: I think what he said was that they were depending on the Hydro to advise them, and that the Hydro investigated the whole situation and reported to the Government with the result that Sir Adam sent this letter to the Government recommending that they purchase it.

THE CHAIRMAN: I think he said they would not have purchased it except on the recommendation of the Hydro? A. I think probably that is correct because they asked for his letter. I was not present. It was not a Board meeting; it was some meeting here. He gave them the letter, and he complained it was not in compliance with his recommendation, and that is when the protest started, but the Act went through as it was drawn without making the change.

TO COMMISSIONER HARRIS:

Q. Mr. Ferguson says it was on the strength of the Hydro's report and information and advice that the Government



bought the property? A. I do not know about that. Of course there were properties that the Hydro could not cover under their Act, the pulp mill and street railway and two or three gas companies and one or two water works.

TO THE CHAIRMAN:

Q. Why did you buy them? A. They could not do that under the Hydro Act.

Q. Why did the Government buy them? A. The Government bought them.

Q. Why did they buy them? They had not any use for them?

A. You will have to ask them. I do not know; it was to clean up the whole situation.

Q. The Commission recommended the purchase of them?

A. The Chairman did.

Q. Was the Chairman's letter ratified and approved by the Commission? A. I think that was subsequently, but it had not come before the Commission at the time. I do not know how much he consulted the members.

Q. It did not come before the Commission formally?

A. No, there was no time for that.

Q. It was written without having been first approved by the Commission? A. I could not say that; it was not in the minutes.

TO COMMISSIONER HARRIS:

Q. It is safe to assume that if the Hydro could have bought this property for \$5,000,000 or \$6,000,000 they would have taken steps to have completed the purchase? A. I think they would have had to have the Act amended to do it.

Q. They could not make the purchase at the price they thought





was proper and when they found they could not do that, Sir Adam recommended to the Government that they buy it and pay \$8,350,000? A. I do not think that is as I understand it. I understand the Government had made this bargain and asked him to approve of it.

Q. Why should he approve of it when he would not approve of giving more than \$5,000,000 or \$6,000,000 for it?

A. I am just telling you as I understood it, because they were long term bonds, and no sinking fund for ten years and 4% for 50 years. I do not know how far that influenced Sir Adam Beck's mind.

Q. You think the Government made the agreement first and then asked Sir Adam to approve of it? A. Yes.

TO COMMISSIONER HANEY:

Q. And then changed it after they got the approval?

A. It was certainly changed after that letter; it is not in the terms of that letter, and the Minutes show the Commission objected to the shortening of the term.

TO THE CHAIRMAN:

Q. The Commission knew at that time the debentures had been changed from 50 years to 10 years, and it was not in accordance with the recommendations of the Commission?

A. That was when the Act was introduced.

Q. Then there is a note which reads in this way:

"Draft copy of the Act to confirm an agreement between the Electric Power Company and His Majesty, The King, was laid before the Board and dealt with. It was decided that the Chairman be authorized to communicate with the Minister of Lands, Forests and Mines calling his attention



to the fact that the agreement forming schedule to the Act confirming the same is not in accordance with the recommendation signed by the Chairman, and confirmed at the meeting of the Commission held on the 9th of March, inasmuch as the long term debentures have been changed from 50 years with sinking fund deferred for ten years, to ten years".

Is that substantially correct? A. Yes, that happened.

Q. Why was it not put in this form in the minutes?

A. I think you will find on the same date an amended minute in the minute book. That was not quite full enough, and I think the amended minute is fuller than that. I think there is a little more to it. I have not had an opportunity of seeing the minutes. The one that was finally passed was pasted in, and I leave the other one for reference in case anything turned on it.

Q. So that the memorandum is, to the best of your recollection correct? A. The minutes were taken in shorthand, then extended, and then they had to be approved at the next meeting of the Board, and if they are not as they should be, they are changed.

Q. That memo you left there is substantially correct as far as it goes? A. That is evidently what was understood at that meeting, but I think there was some addition to it in the final copy pasted in the minute book.

Q. The assets which the Province bought from the Company were substantially the same or exactly the same as those for which the Hydro had previously been carrying on negotiations? A. Yes, they took everything they had.

Q. Your negotiations previously were for everything they had? A. Yes, Sir; they would not negotiate on any other





ground.

Q. It was the whole or nothing? A. The whole or nothing.

TO COMMISSIONER R.A.ROSS:

Q. Nipissing was always included? A. Always.

TO COMMISSIONER HANEY:

Q. It was a clean up deal? A. Yes.

TO COMMISSIONER HARRIS:

Q. Not a graft? A. No, it was a clean up of the whole thing.

Strachan Johnston says they lost a lot of money and

Carey says they lost a lot of money.

Q. What do you think? A. I do not think they did.

Q. They seem to have done fairly well? A. The stockholders did not get much.

Q. Selling something for \$8,350,000 that your Chairman thought was not worth more than \$5,000,000 or \$6,000,000?

A. Although the Sun Life claimed they had \$9,000,000 in it.

Q. They had \$9,000,000 in 2,500 bonds which they bought at

85. I think that brings it down to about \$7,000,000?

A. The stockholders did not get a cent.

Q. Did I understand you to say that the Dominion was in a position to dictate the terms of the sale?

A. No, Sir, but they controlled the leasehold, and in that way they did. I always considered and thoroughly understood that it could only be in co-operation with them that it would be a safe thing to invest money in.

TO THE CHAIRMAN:

Q. Could not you go there and develop without the consent of the Dominion Government? A. No, Sir.

Q. So that the Dominion Government was in a position to lay

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down terms under which you could go in? A. Yes.

Q. It was by accepting these terms that you went in there finally? A. Yes, they controlled the Trent property.

Q. You finally had to accept its terms in order to get into Central Ontario? A. We had.

Q. Was the Ranney Falls plant owned by the Seymour interest before they sold out? A. Yes, Sir, that was sold by the Northumberland Power Company of which Mr. Carey was President, to the Eastern Power Company of which he was President, for \$400,000 of debentures; that was Ranney Falls and the property on the other side of the river.

Q. Do you remember if that contained any provision as to what rental would have to be paid for water? A. No, they were the owners of it, that is the original Power Company; then the canal went around it and took the water and put it in below.

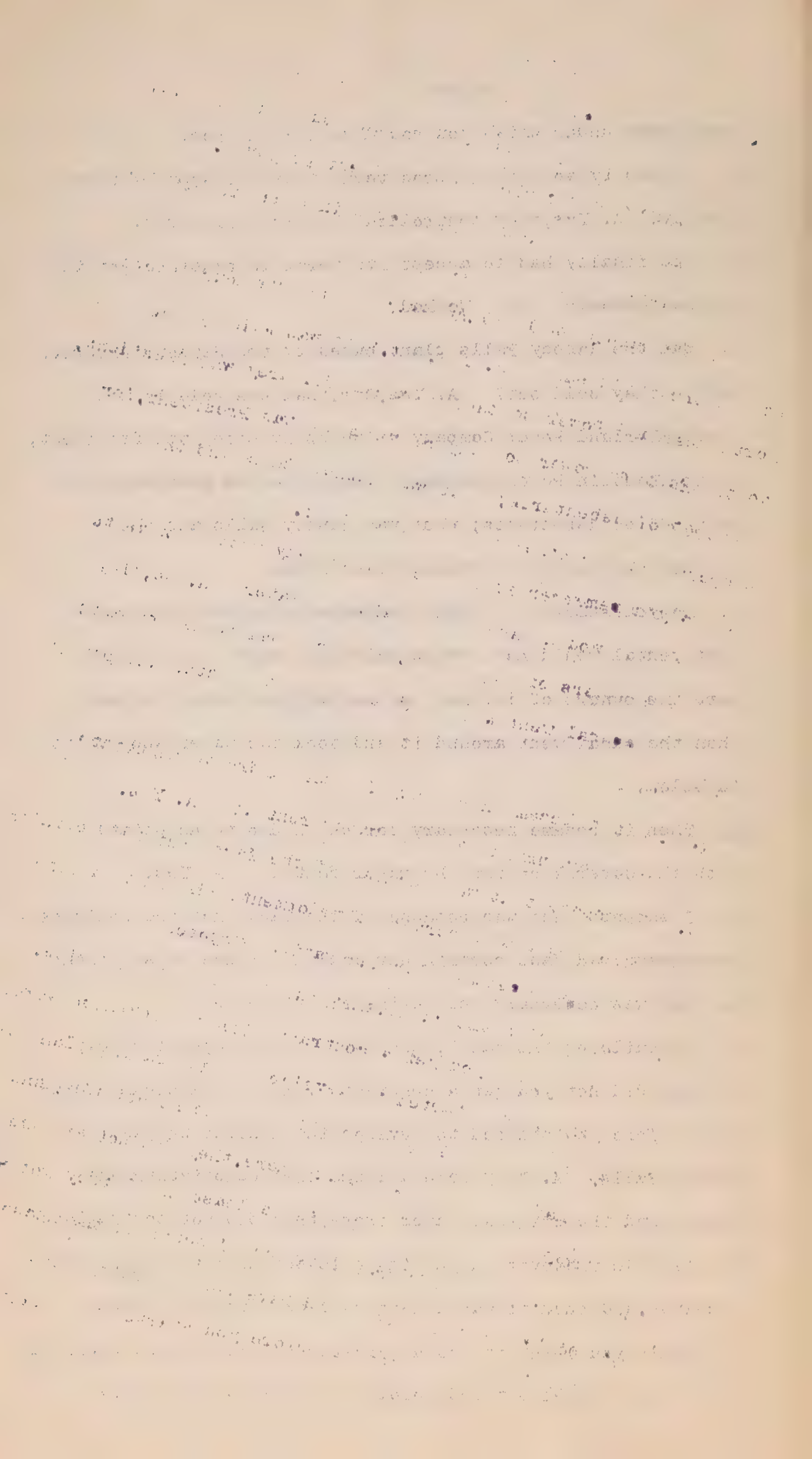
Q. Then it became necessary for the Hydro to negotiate with the Government for the water rental? A. Yes.

Q. I suppose that was because of the fact that the Dominion Government had made certain developments there in addition to what was necessary for navigation purposes?

A. In building the canal, they built a development site.

Q. Why did not you get a contract with the Dominion Government before you started to develop the generating plant at Ranney Falls? A. They were all the time negotiating, and having had the original water there, they did not contemplate any trouble whatever in getting a lease until they got well underway, and then it was a matter of settling the leases.

Q. Don't you think it would have been a pretty good business to get the leases settled before you started the plant?





A. If you could.

Q. I do not think there is any "if" about it; I think it was an absolute necessity? A. That is a matter of opinion.  
TO COMMISSIONER R.A.ROSS:

Q. What position would you have been in today if you had not got it? A. No power at all - at least not sufficient power there. We had no intimation of any trouble whatever. the only thing we talked about was the old Company had no lease of the dam nor the Trenton Dam No.2, and the rights along there were largely between the Government and Mr. Carey, and they were not settled, and they wanted the whole thing all cleaned up at once. Then the thing got so pressing they did finally say that we would deal with the Ranney Falls separately, and did deal with it separately.

Q. Did the Dominion Government ever intimate to you that they would not give you the lease unless you settled with the company? A. Yes, we reserved in that lease all our rights to the water under the Provincial Legislation. It is all done without prejudice entirely to our rights. It is fully protected by a saving clause in that lease. I claim the Province still own that water, and I think I can maintain that notwithstanding the opposition.

COMMISSIONER HARRIS: I think it is a matter that we should have the Department of Railways and Canals represented here, because their story and the Hydro's story do not seem to agree.

THE CHAIRMAN: We can arrange to have them both here together.

THE WITNESS: I do not know in what respect we disagree. They did not give us the lease until we gave their



terms.

TO COMMISSIONER HARRIS:

Q. You only made the agreement within the last two months?

A. Yes.

Q. After the plant was practically completed? A. Yes, Sir, that is right.

Q. The statement was made to us in Ottawa that they had been doing everything in their power to get this contract made and had done everything they could to get it completed.

TO THE CHAIRMAN:

Q. There was evidently a difference between the Hydro and the Dominion Government, and we will have to hear both sides. They take direct issue with you on that question? A. They demanded that we take care of all riparian rights.

Q. They say you made some demands too? A. We demanded 50% of the water. The owners bought it, and paid for it at once.

Q. In addition to that there were further demands, I believe? A. There was no friction, but we just did not get together, that is all.

Q. In this memorandum in your papers to which reference was made just now, it states an offer to purchase made to the Electric Company of \$7,200,000 was discussed, and the statement made that the same was much more than the property was worth, and that it would be some years before the proposition could be made to pay? A. What is the date of that?

Q. This memo is dated April 20th, 1916? A. I have no recollection of the \$7,200,000. I do not know how that came in.

Q. That might have been on a higher interest rate, 5%?

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A. I do not know; I do not remember.

Q. At the end of this memorandum it says a letter was drawn up tentatively by Mr. Staunton in longhand which Mr. Gaby was instructed to have typed, and in the typing of the letter reference was made to the Trent District; the letter referred to in this memorandum is the letter which Sir Adam wrote, dated March 4th? A. The letter will show.

Johnston took the ground at first that Nipissing was not included.

Q. It says here in this letter: "The Company's interest in the Trent District"? A. Yes, but Nipissing was included; it had to be included.

Q. It was in the inventory? A. Yes, never was in the minds of the Commission anything else. It is just the wording of that letter. In wording it they spoke of the Trent District, overlooking that Nipissing was not in the Trent District. It was their whole interest; that was being purchased; there is no question about it.

Q. It was part of the assets of the Seymour Power Company? A. Yes.

Q. Did the Seymour Power interest claim that under that letter Nipissing was not included, and that they ought to get more money? A. I understood that they had some controversy with the Minister about that, but I do not know what took place.

Q. Do you think that affected the change in the term of bonds from 50 to 10 years? A. I could not say that.

TO COMMISSIONER HARRIS:

Q. Mr. Ferguson answered that question, and he said Mr. McGarry might be able to clear that up. I suppose Sir Adam Beck cannot clear it up? A. As soon as he saw it, he took the ground that it was the whole property including the Nipissing.



TO COMMISSIONER R.A. ROSS:

Q. It was in the inventory? A. Yes, everything.

TO COMMISSIONER HANLEY:

Q. I am referring to the question of the term of the bonds being reduced from 50 to 10 years? A. That was not done in our office; that was done in the buildings, and I do not know about it. The Commission thought it made a difference in the price and they objected. If they can be renewed on the same terms, it would not make any difference.

Q. Don't you think that Sir Adam Beck should have specifically stated in his letter that the term of the bonds should be 50 years; should not he have put himself on record in writing when he found there had been a change?

Q. He did in the minutes.

Q. Should not he have put himself on record by writing to the Government? A. That is a matter of opinion. It says in the minutes he is to take it up with the Government and protest.

Q. Which he may have done? A. I understand he did.

TO COMMISSIONER HANLEY:

Q. Was that at a subsequent meeting of the Board when the Act came before the Commission? A. Yes, he immediately brought it before the Commission and protested.

Q. If he had acted at the subsequent meeting, it would have appeared in the minutes? A. The Act was not completed until much later.

Q. The action of the person who was authorized to protest to the Government would appear? A. There may be a reference further on.

Q.. The manner in which he carried on that business would naturally be noted at the next meeting of your Board?

Q. I do not know whether there is anything or not.





TO THE CHAIRMAN:

Q. If anybody made the change, it was made by the Government?

A. It had to be made in the Act.

Q. Would not it be a proper thing to state your position in writing to the Government and not merely have it on your minutes? A. That is a matter of policy for the Commission, Sir. I am only an official there.

Q. The politician can promise what he likes, but never in writing? A. I should hate to be responsible for all they do politically. It is bad enough to do it commercially.

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NORTH BAY

C.A. McGAUGHEY

D. BARKER

R.T. JEFFREY.

MR. McGAUGHEY: There is just one point we want to have clear, and that is the cost of larger development. Have the Hydro any money to look after that?

THE CHAIRMAN: The basis of the Commission's development is an agreement with the municipalities who shoulder the cost? A. Don't you think the Commission should make some recommendation as far as Northern Ontario is concerned whereby large developments can be made by the Hydro, separate from the municipalities?

Q. Who then would furnish the money - the Provincial Government could not do that without having a guarantee from the municipalities? A. Either the Government must do it or private individuals will have to take it up. The municipalities are not strong enough. As far as the British-American plant is concerned, they went to Quebec, but if we could have supplied the power at that time, we might have been able to induce them to build their plant in Northern Ontario.



Q. If the Provincial Government should construct power plants, it would mean that the whole Province would be pledging their money and their credit to supply that district? A. Yes.

Q. Do you think you deserve that? A. Yes, I think so.

TO COMMISSIONER HARRIS:

Q. That is what is happening in the Central Ontario System?

A. Except I think their intention was that it should eventually be taken over by the municipalities.

Q. That complicated the situation very much, and it is doubtful whether it could be done again? A. Possibly that is so, but in the Northern Part of the Province unless we have some development along that line, we cannot act.

Q. Surely there is a market for 3,000 or 4,000 h.p. in North Bay? A. Yes.

Q. Why should not you as a municipality go to the Hydro and say, "Here we want to arrange to buy this whole property", would not that pay you? A. Possibly, but we have not the figures to find out whether it will or not.

Q. You have as large a population as Orillia? A. Yes, I think so; we have about 12,000.

Q. Orillia has very successfully carried on the development plant there, and their development would cost more than yours? A. There is a possibility of a very large development in the North, and we cannot go into transactions of that kind.

Q. Take your own situation; you have water powers there sufficient to take care of your requirements? A. We have at the present time.

Q. You have sufficient to take care of your requirements for several years to come? A. That all depends.

Q. I do not see why you should not take the plant you have there and develop it and utilize it to the fullest capacity as a municipality. Could not that be done, Mr. Jeffrey? Could not they make an arrangement with the Hydro to develop





the power and turn it over to them and sell power to them at cost?

MR. JEFFREY: I suppose that could be done.

Q. Supposing they did that?

MR. JEFFREY: That is if North Bay took over the distribution system and bought power at cost?

Q. That would take care of their requirements for a few years? A. Yes.

Q. By that time Hydro would develop other powers? A. Yes.

Q. If they are short of power, they could buy a supply of power from the Hydro? A. They could buy further power if the Hydro had it available in the district.

Q. They would have it if they developed 35,000 h.p.?

A. Of course they would have to get a market for the power and some authority to go ahead with the development if the municipalities did not guarantee the cost.

MR. McGAUGHNEY: That is the point; the municipality has not sufficient to guarantee that.

COMMISSIONER R.A. ROSS: The only solution of that proposition is the possibility of some large industries going up there, such as a pulpwood company that would guarantee to take a certain load, and you would reap an additional advantage from that in not only reduced rates but also in being the centre of that district. You are asking for something that cannot be done economically unless you get some big user up there.

COMMISSIONER HANLEY: The distance from Huntsville to Powassan is 50 miles? A. Yes. Huntsville is supplied from the Muskoka System.

MR. JEFFREY: That is not tied up to any other system. We need that power for the Severn System.

Q. You are going to tie that up with Niagara? A. We may eventually; we have not reached that stage yet, but we are



almost to it. Of course there are several other developments which may be made rather economically on the Severn System, and there is another development which can be enlarged on the Muskoka System. Whether it would be more economical to go ahead with these smaller developments before we tie up with Niagara, is something for the Commission to decide.

Q. 50 miles at \$1,500 a mile would be \$75,000? A. Not in that country; the \$1,500 you are talking about is for rural lines, not for high tension power lines.

Q. What would it cost? A. It would run \$3,000 or more I would think.

Q. That would be \$150,000 and that would be cheaper than spending six or seven million dollars.

MR. JAMES: We develop 5,000 at Orillia and 5,000 at Big Chute.

Q. Is Orillia using all its power now? A. No, it is selling power to the Commission, on the basis of  $\frac{1}{4}\%$  per kilowatt hour. We have bought as high as 2,000<sup>h.p.</sup>/this year.

COMMISSIONER HANEY: I suppose North Bay might make an arrangement with Orillia? A. They are only willing to make an agreement to sell us power when they have it; it is only for one year. They want to keep it available for industries which they expect to get. They would not tie up to a long term contract.

THE CHAIRMAN: Is there anything you would like to say in connection with this North Bay System, Mr. Jeffrey? A. No, I do not think so. All the information is available and I believe Mayor Ferguson is down at the office now getting the information.

THE CHAIRMAN: Is there anything more you would like to say, Mr. McGAUGHEY?

MR. McGAUGHEY: No, I think that is all just now.





THE CHAIRMAN: You recollect when we were having the hearing about the Chesterville case, we had to adjourn rather hurriedly, and you were not quite through; was there something you would like to add?

MR. JEFFREY: There was. I had some figures which I did not bring with me. There were certain explanations which I wanted to make.

THE CHAIRMAN: You can make those the next time we meet, when you will have the figures with you.

MR. JEFFREY: Yes, Sir.

---Adjourned sine die.

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